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Finland a country study

Federal Research Division
Library of Congress
Edited by
Eric Solsten
and Sandra W. Meditz
Research Completed
December 1988



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On the cover: A lion rampant, the Finnish national symbol

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Foreword

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This volume is one in a continuing series of books now being prepared by the Federal Research Division of the Library of Congress under the Country Studies—Area Handbook Program. The last page of this book lists the other published studies.

Most books in the series deal with a particular foreign country, describing and analyzing its political, economic, social, and national security systems and institutions, and examining the interrelationships of those systems and the ways they are shaped by cultural factors. Each study is written by a multidisciplinary team of social scientists. The authors seek to provide a basic understanding of the observed society, striving for a dynamic rather than a static portrayal. Particular attention is devoted to the people who make up the society, their origins, dominant beliefs and values, their common interests and the issues on which they are divided, the nature and extent of their involvement with national institutions, and their attitudes toward each other and toward their social system and political order.

The books represent the analysis of the authors and should not be construed as an expression of an official United States government position, policy, or decision. The authors have sought to adhere to accepted standards of scholarly objectivity. Corrections, additions, and suggestions for changes from readers will be welcomed for use in future editions.

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Partial

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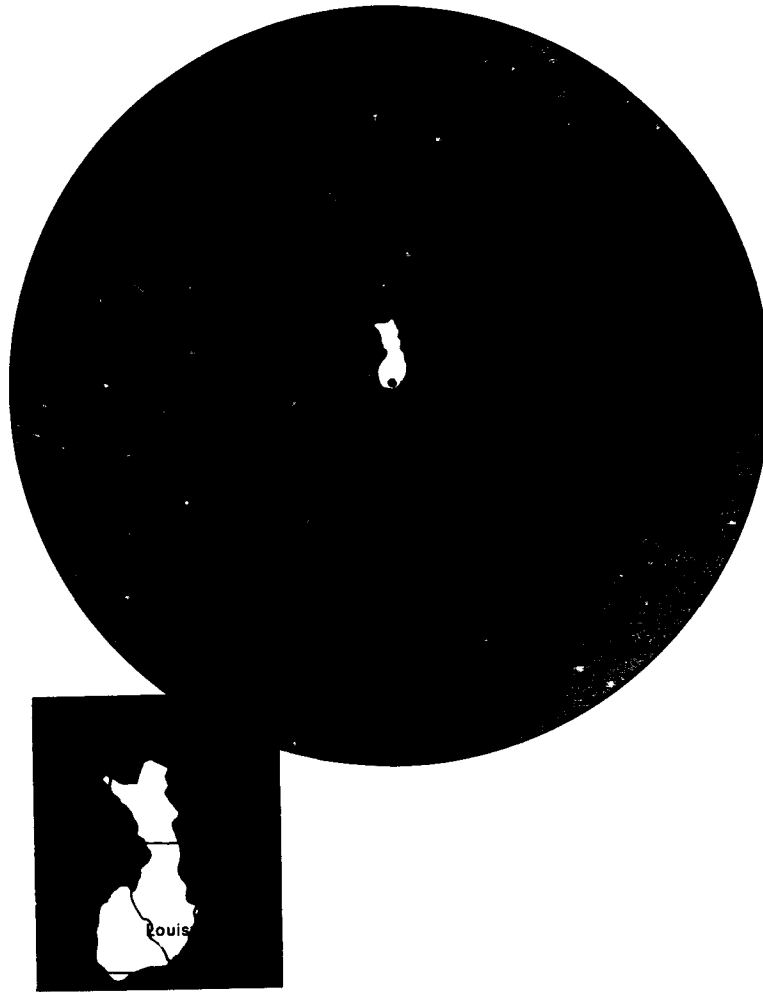
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Preface

Like its predecessor, this study is an attempt to treat in a compact and objective manner the dominant social, economic, and military aspects of contemporary Finland. Sources of information included scholarly books, journals, and monographs, official reports of governments and international organizations, numerous periodicals, and interviews with individuals having special competence in Finnish and Nordic affairs. Chapter bibliographies appear at the end of the book; brief comments on sources recommended for further reading appear at the end of each chapter. Measurements are given in the metric system; a conversion table is provided to assist readers unfamiliar with metric measurements (see table 1, Appendix A). A glossary is also included.

There are two official languages in Finland, Finnish and Swedish. The latter language, once dominant, is now spoken as a first language by only 6 percent of Finland's population. For this reason, Finnish place-names are used throughout this volume. An exception was made only when referring to the Åland Islands and to their capital, Mariehamn, where the Swedish forms are preferred. In cases where it could be useful for a reader to know a Swedish place-name, it has been provided in parentheses after the Finnish place-name. Table 2, Appendix A, lists the Finnish and Swedish names of the country's twelve provinces and of several dozen other geographic sites.

Country Profile



Country

Formal Name: Republic of Finland

Short Form: Finland

Term for Citizens: Finns

Capital: Helsinki

Date of Independence: December 6, 1917.

Geography

Size: About 338,145 square kilometers, slightly larger than Missouri and Illinois combined. About 10 percent of area made up of inland water. A quarter of the country above Arctic Circle.

Topography: Four natural regions. Archipelago Finland begins in southwestern coastal waters and culminates in Åland Islands. Coastal Finland a band of clay plains, extending from Soviet to Swedish border. Seldom exceeding width of 100 kilometers, plains slope upward to central plateau that forms basis of interior lake district. This core region contains more than 55,000 lakes set within country's densest forests. Above central plateau, upland Finland extends into Lapland, where forests gradually yield to harsh climate. Above timber line are barren fells and numerous bogs. Upland Finland crossed by country's largest and longest rivers.

Climate: Gulf Stream and North Atlantic Drift Current moderate temperatures somewhat, but winter still lasts up to seven months in north, and most years gulfs of Finland and Bothnia freeze, making icebreakers necessary for shipping. Long days in summer permit farming far to north. Continental weather systems can bring quite warm summer temperatures and severe cold spells in winter.

Society

Population: About 4.9 million at end of 1985, averaging 14.5 inhabitants per square kilometer. Population growth 0.5 percent per year during 1980-84 period. About 60 percent of population lived in urban municipalities in 1980s.

Language: Two official languages; Finnish spoken by 94 percent of population; Swedish spoken by 6 percent, most of whom live in southwestern and western coastal areas and Åland Islands.

Religion: Two official state churches; Lutheran Church of Finland with 88.9 percent of population as members; Orthodox Church of Finland with 1.1 percent. Constitutionally guaranteed freedom of religion permits existence of several dozen other religions. About 7 percent of Finns belong to no religion.

Education: A little more than 900,000 Finns attended schools and institutions of higher education in 1985. About half this number, aged seven to sixteen, enrolled in obligatory comprehensive school

system. Around 100,000 each studied at academic high schools and country's twenty university-level facilities, while remainder were at multitude of institutions that provided career training of varying levels and duration.

Health and Welfare: Legislation guarantees all Finns high-quality health care regardless of income. Health problems resemble those of other countries of Northern Europe, with cardiovascular diseases and cancer chief causes of death. In mid-1980s, Finland had world's lowest infant mortality rate. Welfare and social security legislation provide family and unemployment allowances and disability and retirement benefits.

Economy

Gross Domestic Product (GDP): US\$70.5 billion in 1986 (US\$14,388 per capita). Economy grew faster than other Western industrialized countries throughout 1980s, averaging about 3.3 percent per year from 1980 to 1986.

Agriculture and Forestry: Below 8 percent of GDP and about 10 percent of employment in 1986, but sufficient to make country self-sufficient in staple foods and provide raw material to crucial wood-processing industries.

Industry: Major growth sector, contributing nearly 35 percent of GDP and 32 percent of employment in 1986. Main engine of post-war structural change, industry faced increasing competition in 1980s causing restructuring and a shift to high-technology products.

Services: Largest sector, providing nearly 58 percent of GDP and about 57 percent of employment in 1986. Generally labor-intensive and uncompetitive, but banking, engineering, and consulting showed promise.

Imports: Raw materials, especially fuels, minerals, and chemicals, but growing share of foods and consumer goods.

Exports: Primarily industrial goods, especially forestry products and metal products; growing high-technology exports.

Major Trade Partners: Soviet Union largest single trade partner, but West European countries together accounted for nearly two-thirds of trade.

Balance of Payments: Despite positive trade balance, Finnish tourist expenditures abroad and debt service caused continuing current account deficits in 1980s.

General Economic Conditions: Standard of living high despite difficult environment. Inflation traditionally exceeded that of other industrialized countries, but fell below 4 percent in 1986; unemployment, at about 6 percent in 1987, was considered Finland's most serious economic problem.

Exchange Rate: In March 1988, Finnish mark (Fmk) 4.08 = US\$1. Fully convertible, but some capital controls maintained by Bank of Finland.

Transportation and Communications

Railroads: 5,905 kilometers (Russian gauge—1.524 meters) in operation, of which about 500 kilometers multiple-track and 1,445 kilometers electrified in 1987. Railroads used primarily for bulk commodities because of growing competition from trucking.

Highways: About 76,000 kilometers in 1987 (including 43,000 paved). Another 30,000 kilometers of private, state-subsidized roads.

Inland Waterways: About 9,200 kilometers of floatways used by wood industries to move forest products downstream to processing centers and on to ports for export. Another 6,100 kilometers of internal waterways for general use, including about 70 kilometers of canals.

Ports: Seven major ports, many minor ports. Most ports blocked by ice in winter.

Civil Airports: Helsinki airport handled most international traffic; about forty smaller airports served secondary cities.

Telecommunications: Excellent system covering most cities; mobile telephones widely used in rural areas.

Government and Politics

Government: Constitution Act of 1919 basis of system of government both parliamentary and presidential. Division of power among legislative, executive, and judicial branches only partial, and resulting overlapping of competencies ensures that authorities act according to Constitution. Supreme power rests with the Finnish people, who elect through universal suffrage 200-member Eduskunta, country's parliament. This body ultimately more powerful than president, the supreme executive, who often can act only through Council of State, or cabinet, whose members come mainly from Eduskunta.

Politics: As many as a dozen parties actively articulate wide range of political viewpoints. Smaller number of parties, socialist and non-socialist, have participated in cabinet governments in the postwar era. All parties with members in Eduskunta receive state subsidies. Party newspapers also enjoy state financial support.

Legal System: Independent judges and constitutional guarantees protect integrity of judicial system consisting of general courts that deal with civil and criminal cases and administrative courts concerned with appeals against decisions of government agencies. General courts exist at three levels: local, appeal, and Supreme Court; administrative courts exist at provincial and Supreme Administrative Court levels. Chancellor of justice, Finland's highest prosecutor, and parliamentary ombudsman charged with rectifying legal injustice.

Foreign Relations: Finland follows what is officially termed an active and peaceful policy of neutrality. Member of Nordic Council, European Free Trade Association (EFTA), Council of Europe, and United Nations (UN).

National Security

Armed Forces (1988): Defense Forces consist of army of 30,000 troops (22,300 conscripts), navy of 2,700 (1,300 conscripts), and air force of 2,500 (1,300 conscripts). In time of crisis or hostilities, Fast Deployment Forces of 250,000 could be mobilized in two to three days. Full mobilization of 700,000 could be carried out in a week. Frontier Guard (Rajavartiolaitos—RVL) of 4,500 (11,500 on mobilization) would come under military command.

Treaty Commitments: By 1947 Treaty of Paris, active Finnish armed forces limited to 41,900 persons, total warship tonnage to 10,000 tons, and combat aircraft to 60. Offensive weapons such as bombers and submarines prohibited. The 1948 Treaty of Friendship, Cooperation, and Mutual Assistance (FCMA) with Soviet Union commits Finland, with Soviet assistance if needed, to repel aggression by Germany or any state allied to it.

Conscription and Reserves: Over 90 percent of Finnish men perform eight months of military service at age twenty (eleven months for officers and noncommissioned officers in reserves). Reserve obligation continues until at least age fifty. Younger reservists subject to periodic refresher training.

Standing Forces: In 1988 army organized into 7 light infantry and 1 armored brigade, each with 1,500 to 2,000 men in peacetime,

plus independent infantry battalions, field and coast artillery, and antiaircraft units. In wartime would consist of an estimated 20 to 25 brigades at full strength of 6,800 each, plus 70 independent light infantry battalions of 800 each, and other specialized units. Navy has two corvettes, eight missile boats, fast patrol craft, minelayers, and minesweepers. Air Force consists of sixty fighters organized into three squadrons, forty-seven jet training-reconnaissance aircraft convertible to attack role, and small fleet of transport and liaison aircraft.

Sources of Equipment: Finland produces close to 40 percent of its own equipment, including light arms, artillery, vehicles, munitions, hulls, and light aircraft. Soviet Union supplies about half of imports, including tanks and armored vehicles, missiles, and MiG aircraft. Remainder comes from West, including Sweden (fighter aircraft and missiles), Britain (jet trainers), France (radar and missiles), and United States (electronics and antitank missiles).

Defense Expenditures: In 1988 defense budget of US\$1.47 billion was about 1.5 percent of gross national product and 5.5 percent of total government budget. Defense spending low relative to other countries of Europe.

Internal Security: Police are part of national government and operate under control of Ministry of Interior. Local police, supervised by provincial authorities and organized into town police departments and rural police districts, manage routine police work. Operating at national level and assisting local police when necessary are Mobile Police (Liikkuva Poliisi—LP), responsible for traffic safety and riot control; Security Police (Suojelupoliisi—SUPO), charged with preventing subversion and espionage; and Central Criminal Police (Keskusrikospoliisi—KRP), able to mount extensive investigations, with advanced technical means when required, and maintain centralized criminal files and contacts with foreign police forces. RVL and Coast Guard, also under Ministry of Interior, responsible for security in border areas and have military role in wartime.

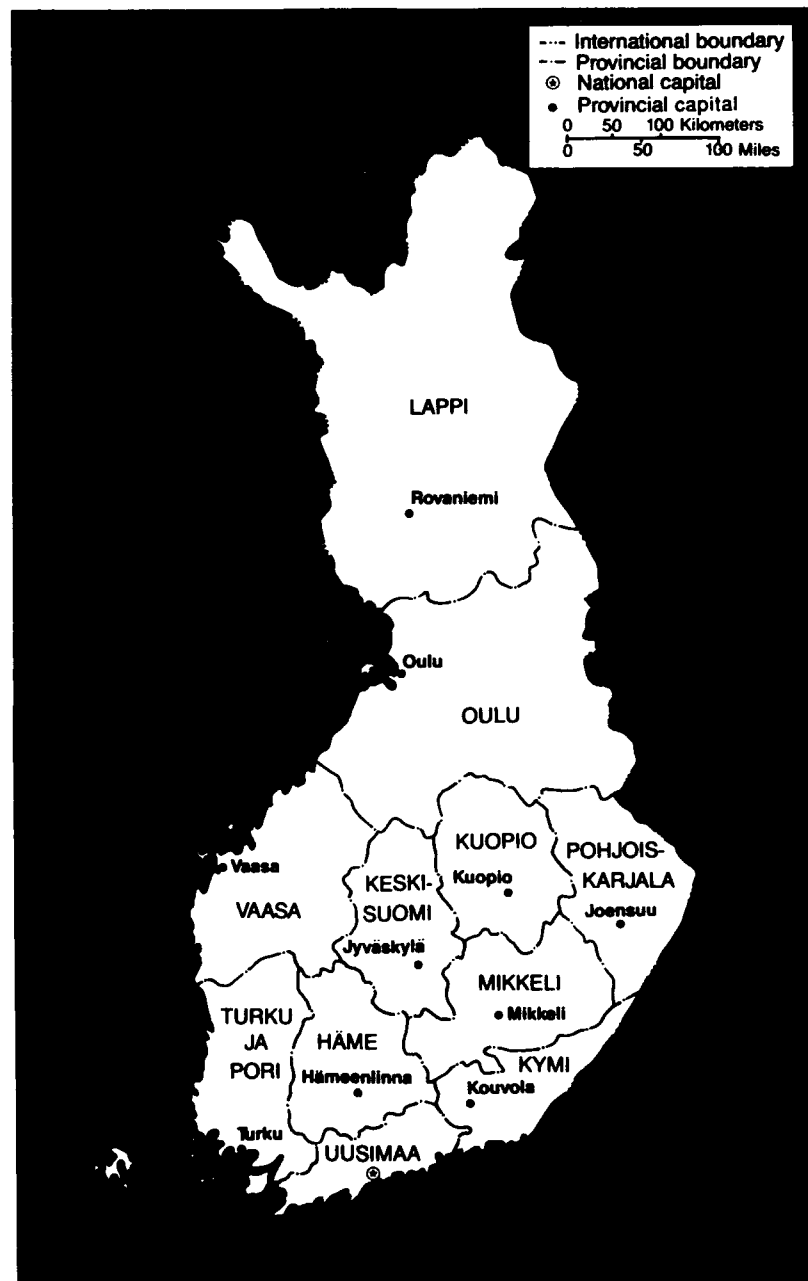


Figure 1. Administrative Divisions of Finland, 1988

Introduction

FINLAND HAS BEEN THE SITE of human habitation since the last ice age ended 10,000 years ago. When the first Swedish-speaking settlers arrived in the ninth century, the country was home to people speaking languages belonging to the distinctive Finno-Ugric linguistic group, unrelated to the more prevalent Indo-European language family. The first dates in Finnish history are connected with the Swedish crusade of the 1150s that, according to legend, aimed at conquering the "heathen" Finns and converting them to Christianity. There was, however, no Swedish conquest of Finland. The bodies of water that lay between Finland and Sweden, rather than making them enemies or separating them, brought them together. Trade and settlement between the two areas intensified, and a political entity, the dual kingdom of Sweden-Finland, gradually evolved (see *The Era of Swedish Rule*, c. 1150-1809, ch. 1).

During the seven centuries of Swedish rule, Finland was brought more and more into the kingdom's administrative system. Finland's ruling elite, invariably drawn from the country's Swedish-speaking inhabitants, traveled to Stockholm to participate in the Diet of the Four Estates and to help manage the kingdom's affairs. Swedish became the language of law and commerce in Finland; Finnish was spoken by the peasantry living away from the coasts. The clergy (Lutheran after the Protestant Reformation), who needed to communicate with their parishioners, were the only members of the educated classes likely to know Finnish well.

Swedish rule was benevolent. Sweden and Finland were not separate countries, but rather were regions in a single state. The elite spoke a common language, and it was not until late in the eighteenth century that any separatist sentiments were heard within Finland. However, Finns occasionally suffered much from Sweden's wars with neighboring states. In the sixteenth and the seventeenth centuries, Sweden was one of Europe's great powers and had a considerable empire around the shores of the Baltic Sea. Wars were frequently the means of settling Finland's eastern border. In the long run, however, Sweden could not sustain its imperial pretensions, and military defeats obliged it to cede Finland to tsarist Russia in 1809.

Finland's new ruler, Tsar Alexander I, convinced of the strategic need to control Finland for the protection of his capital at St. Petersburg, decided it was more expedient to woo his Finnish

subjects to allegiance than to subjugate them by force. He made the country the Grand Duchy of Finland and granted it an autonomous status within the empire (see *The Russian Grand Duchy of Finland, 1809-1917*, ch. 1). The Grand Duchy kept its Swedish code of laws, its governmental structure and bureaucracy, its Lutheran religion, and its native languages. In addition, Finns remained free of obligations connected to the empire, such as the duty to serve in tsarist armies, and they enjoyed certain rights that citizens from other parts of the empire did not have.

Nevertheless, the Grand Duchy was not a democratic state. The tsar retained supreme power and ruled through the highest official in the land, the governor general, almost always a Russian officer. Alexander dissolved the Diet of the Four Estates shortly after convening it in 1809, and it did not meet again for half a century. The tsar's actions were in accordance with the royalist constitution Finland had inherited from Sweden. The Finns had no guarantees of liberty, but depended on the tsar's goodwill for any freedoms they enjoyed. When Alexander II, the Tsar Liberator, convened the Diet again in 1863, he did so not to fulfill any obligation but to meet growing pressures for reform within the empire as a whole. In the remaining decades of the century, the Diet enacted numerous legislative measures that modernized Finland's system of law, made its public administration more efficient, removed obstacles to commerce, and prepared the ground for the country's independence in the next century.

The wave of romantic nationalism that appeared in Europe in the first half of the nineteenth century had profound effects in Finland (see *The Rise of Finnish Nationalism*, ch. 1). For hundreds of years, Finland's Swedish-speaking minority had directed the country's affairs. The Finnish-speaking majority, settled mostly in the interior regions, was involved only marginally in the social and the commercial developments along the coast. Finnish-speakers wishing to rise in society learned Swedish. Few schools used Finnish as a means of instruction: higher education was conducted entirely in Swedish, and books in Finnish were usually on religious subjects. The nationalist movement in Finland created an interest in the language and the folklore of the Finnish-speaking majority. Scholars set out into the countryside to learn what they could of the traditional arts. Elias Lönnrot, the most important of these men, first published his collection of Finnish folk poems in 1835. This collection, the *Kalevala*, was quickly recognized as Finland's national epic. It became the cornerstone of the movement that aimed at transforming rural Finnish dialects into a language suitable for modern life and capable of displacing Swedish as the language of

law, commerce, and culture.

Several generations of struggle were needed before the Finnish nationalist movement realized its objectives. Numerous members of the Swedish-speaking community entered the campaign, adopting Finnish as their language and exchanging their Swedish family names for Finnish ones. Finnish journals were founded, and Finnish became an official language in 1863. By the end of the century, there was a slight majority of Finnish-speaking students at the University of Helsinki, and Finnish-speakers made up sizable portions of the professions.

Finland's first political parties grew out of the language struggle. Those advocating full rights for Finnish-speakers formed the so-called Fennoman group that by the 1890s had split into the Old Finns and the Young Finns, the former mainly concerned with the language question, the latter urging the introduction of political liberalism. The Swedish-speaking community formed a short-lived Liberal Party. As the century drew to a close and the Fennoman movement had achieved its principal goals, economic issues and relations with the tsarist empire came to dominate politics.

Finland's economy had always been predominantly agricultural, and with the exception of a small merchant class along the coast, nearly all Finns were engaged in farming, mostly on small family farms (see *Growth and Structure of the Economy*, ch. 3). Despite the location of the country in the high north, long summer days usually allowed harvests sufficient to support the country's population, although many lived at a subsistence level. In years of poor harvests, however, famine was possible. In 1867-68, for example, about 8 percent of the population starved to death.

Sweden's political development had favored the formation of an independent peasantry rather than a class of large landowners. Even while part of the tsarist empire, Finland maintained this tradition. As a result, instead of serfs, there were many independent small farmers, who, in addition to owning their land, had stands of timber they could sell. When Western Europe began to buy Finnish timber on a large scale in the latter part of the nineteenth century, many farmers profited from the sale of Finland's only significant natural resource, and ready money transformed many of them into entrepreneurs. There was also demand for timber products, and, at sites close to both timber and means of transport, pulp and paper mills were constructed.

Liberalization of trade laws and the institution of a national currency not tied to the Russian ruble encouraged a quickening of the economy and the growth of other sectors. Finland's position within the Russian Empire was also beneficial. As Finnish products

were not subject to import duties, they could be sold at lower prices than comparable goods coming from Western Europe.

The appearance of an industrial sector offered employment to a rural work force, many of whom owned no land and earned their living as tenant farmers or laborers. Much of the employment offered was of a seasonal nature, a circumstance that meant considerable hardship. In contrast to the larger European countries, most of this emerging proletariat did not live in concentrated urban areas, but near numerous small industrial centers around the country. This had two results: the one was that the Finnish working class retained much of its rural character; the other was that labor problems affected the entire country, not just urban centers.

Finland's modernizing economy encouraged the formation of social groups with specific, and sometimes opposing, interests. In addition to the Finnish movement's Old and Young Finns, other political organizations came into being. Because the existing political groups did not adequately represent labor's interests, a workers' party was formed at the end of the century. In 1903 it became the Finnish Social Democratic Party (Suomen Sosialidemokraattinen Puolue—SDP). At the same time labor was organizing itself, the farmers began a cooperative movement; in 1907 they formed the Agrarian Party (Maalaisliitto—ML). The Swedish People's Party (Svenska Folkpartiet—SFP), also dating from this period, was formed to serve the entire Swedish-speaking population, not just those involved in commerce, an area where Swedish-speakers were still dominant.

The Grand Duchy's relationship with St. Petersburg began to deteriorate in the 1890s. The nervousness of tsarist officials about Finnish loyalty in wartime prompted measures to bind Finland more closely to the empire. The campaign of "Russification" ended only with Finland's independence in 1917 (see *The Era of Russification*, ch. 1). In retrospect the campaign can be seen as a failure, but for several decades it caused much turmoil within Finland, reaching its most extreme point with the assassination of the governor general in 1904. The first Russian revolution, that of 1905, allowed Finns to discard their antiquated Diet and to replace it with a unicameral legislature, the Eduskunta, elected through universal suffrage. Finland became the first European nation in which women had the franchise. The first national election, that of 1907, yielded Europe's largest social democratic parliamentary faction. In a single step, Finland went from being one of Europe's most politically backward countries to being one of its most advanced. Nonetheless, frequent dissolutions at the hands of the tsar permitted the Eduskunta to achieve little before independence.

The second Russian revolution allowed Finland to break away from the Russian empire, and independence was declared on December 6, 1917. Within weeks, domestic political differences led to an armed struggle among Finns themselves that lasted until May 1918, when right-wing forces, with some German assistance, were able to claim victory (see *The Finnish Civil War*, ch. 1). Whether seen as a civil war or as a war of independence, the conflict created bitter political divisions that endured for decades. As a consequence, Finland began its existence as an independent state with a considerable segment of its people estranged from the holders of power, a circumstance that caused much strife in Finnish politics.

In mid-1919, Finns agreed on a new Constitution, one that constructed a modern parliamentary system of government from existing political institutions and traditions. The 200-seat unicameral parliament, the Eduskunta, was retained. A cabinet, the Council of State, was fashioned from the Senate of the tsarist period. A powerful presidency, derived, in part at least, from the office of governor general, was created and provided with a mixture of powers and duties that, in other countries, might be shared by such figures as king, president, and prime minister. Also included in the new governmental system was an independent judiciary. The powers of the three branches of government were controlled through an overlapping of powers, rather than a strict separation of powers (see *Governmental Institutions*, ch. 4).

Finland faced numerous political and economic difficulties in the interwar years, but it surmounted them better than many other European countries (see *Independence and the Interwar Era, 1917-39*, ch. 1). Despite the instability of many short-lived governments, the political system held together during the first decades of independence. While other countries succumbed to right-wing forces, Finland had only a brush with fascism. Communist organizations were banned, and their representatives in the Eduskunta arrested, but the SDP was able to recover from wounds sustained during the Civil War and was returned to power. In 1937 the party formed the first of the so-called Red-Earth coalitions with the ML, the most common party combination of the next fifty years, one that brought together the parties representing the two largest social groups. The language problem was largely resolved by provisions in the Constitution that protected the rights of the Swedish-speaking minority. Bitterness about the past dominance of Swedish-speaking Finns remained alive in some segments of the population, but Finnish at last had a just place in the country's economic and social life.

Finland's economy diversified further during the the 1920s and the 1930s. Timber, the country's "green gold," remained essential, but timber products such as pulp and paper came to displace timber as the most important export. Government measures, such as nationalization of some industries and public investment in others, encouraged the growth and strengthening of the mining, chemical, and metallurgical industries. Nevertheless, agriculture continued to be more important in Finland than it was in many other countries of Western Europe. Government-enforced redistribution of plots of land reduced the number of landless workers and fostered the development of the family farm. Survival during the Great Depression dictated that Finnish farmers switch from animal products for export to grains for domestic consumption.

Finland's official foreign policy of neutrality in the interwar period could not offset the strategic importance of the country's territory to Nazi Germany and to the Soviet Union (see World War II, 1939-45, ch. 1). The latter was convinced that it had a defensive need to ensure that Finland would not be used as an avenue for attack on its northwestern areas, especially on Leningrad. When Finland refused to accede to its demands for some territory, the Soviet Union launched an attack in November 1939. A valiant Finnish defense, led by Carl Gustaf Emil Mannerheim, slowed the invaders, but in March 1940 the Winter War ended when Finland agreed to cede to the Soviets about 10 percent of Finnish territory and to permit a Soviet military base on Finnish soil. In June 1941, Finland joined Germany as cobelligerent in its attack on the Soviet Union. In what Finns call the Continuation War, Finland confined its military actions to areas near its prewar borders. In the fall of 1944, Finland made a separate peace with the Soviet Union, one that was conditional on its ceding territory, granting basing rights, agreeing to onerous reparation payments, and expelling German forces from its territory. However, although Finland suffered greatly during World War II and lost some territory, it was never occupied, and it survived the war with its independence intact.

Finland faced daunting challenges in the immediate postwar years. The most pressing perhaps was the settlement of 400,000 Finns formerly residing in territory ceded to the Soviet Union. Most were natives of Karelia. Legislation that sequestered land throughout the country and levied sacrifices on the whole population provided homes for these displaced Finns. Another hurdle was getting the economy in shape to make reparation payments equivalent to US\$300 million, most of it in kind, to the Soviet Union. This payment entailed a huge effort, successfully completed in 1952.

A less concrete problem, but ultimately a more important one, was the regulation of Finland's international relations (see *The Cold War and the Treaty of 1948*, ch. 1; *Foreign Relations*, ch. 4). The Treaty of Paris, signed in 1947, limited the size and the nature of Finland's armed forces. Weapons were to be solely defensive. A deepening of postwar tensions led a year later to the Treaty of Friendship, Cooperation, and Mutual Assistance (FCMA—see Appendix B) with the Soviet Union, the treaty that has been the foundation of Finnish foreign relations in the postwar era. Under the terms of the treaty, Finland is bound to confer with the Soviets and perhaps to accept their aid if an attack from Germany, or countries allied with Germany, seems likely. The treaty prescribes consultations between the two countries, but it is not a mechanism for automatic Soviet intervention in a time of crisis. The treaty has worked well, and it has been renewed several times, the last time in 1983. What the Soviet Union saw as its strategic defensive need—a secure northwestern border—was met. The Finns also achieved their objective in that Finland remained an independent nation.

The Finnish architect of the treaty, Juho Kusti Paasikivi, a leading conservative politician, saw that an essential element of Finnish foreign policy must be a credible guarantee to the Soviet Union that it need not fear attack from, or through, Finnish territory. Because a policy of neutrality was a political component of this guarantee, Finland would ally itself with no one. Another aspect of the guarantee was that Finnish defenses had to be sufficiently strong to defend the nation's territory (see *Concepts of National Security*, ch. 5). This policy, continued after Paasikivi's term as president (1946–56) by Urho Kekkonen (1956–81) and Mauno Koivisto (1982–), remained the core of Finland's foreign relations.

In the following decades, Finland maintained its neutrality and independence. It had moved from temporary isolation in the immediate postwar years to full membership in the community of nations by the end of the 1980s. Finland joined the United Nations (UN) and the Nordic Council in 1955. It became an associate member of the European Free Trade Association (EFTA—see Glossary) in 1961 and a full member in 1986. Relations with the European Community (EC—see Glossary) and the Council of Mutual Economic Assistance (CMEA, CEMA, or Comecon—see Glossary) date from the first half of the 1970s. In mid-1989, Finland joined the Council of Europe (see Glossary). The policy of neutrality became more active in the 1960s, when Finland began to play a larger role in the UN, most notably in its peacekeeping forces. Measures aiming at increasing world peace have also been a

hallmark of this policy. Since the 1960s, Finland has urged the formation of a Nordic Nuclear-Weapons-Free Zone (Nordic NWFZ), and in the 1970s was the host of the Conference on Security and Cooperation in Europe (CSCE), which culminated in the signing of the Helsinki Accords in 1975. By the end of the 1980s, the most serious question for Finland in international relations was how the country's economy, heavily dependent on exports, would fare once the EC had achieved its goal of a single market in 1992. Finland's neutrality seemed to preclude membership in an organization where foreign policy concerns were no longer left to individual member nations.

Finland also dealt effectively with domestic political problems in the postwar era (see *Domestic Developments and Foreign Politics, 1948-66*, ch. 1; *Political Dynamics*, ch. 4). By the early 1950s, the patterns of postwar Finnish politics were established. No one group was dominant, but the ML under the leadership of Kekkonen, who became president in 1956, became an almost permanent governing party until the late 1980s. In 1966 it changed its name to the Center Party (*Keskustapuolue*—*Kesk*) in an attempt to appeal to a broader segment of the electorate, but it still was not successful in penetrating southern coastal Finland. The SDP remained strong, but it was often riven by dissension. In a coalition, it had to share the socialist vote with the Communist Party of Finland (*Suomen Kommunistinen Puolue*—*SKP*). As a consequence, nonsocialist parties never had to face a united left. In the 1980s, the communists had severe problems adjusting to new social conditions, and they split into several warring groups. As a result, their movement had a marginal position in Finnish politics. The SFP, a moderate centrist party with liberal and conservative wings, had a slightly declining number of seats in the *Eduskunta*, but its position in the middle of the political spectrum often made it indispensable for coalition governments. The National Coalition Party (*Kansallinen Kokoomuspuolue*—*KOK*), rigidly conservative in the interwar period, gradually became more moderate and grew stronger, surpassing *Kesk* in the number of parliamentary seats in 1979. Excluded from a role in government for decades, possibly because it had been so right-wing earlier, the *KOK* participated in the government formed after the national elections of 1987, supplying the prime minister, Harri Holkeri. The Liberal Party of the postwar period was never strong, and it had a negligible role by the 1980s.

A number of smaller parties, protest parties, and parties representing quite distinct groups filled out the list of about a dozen organizations that regularly vied for public office. Pensioners and

activist Christians each had their own party, and environmentalists won several seats in the 1983 and the 1987 national elections. The most active of the protest parties was the Finnish Rural Party (Suomen Maaseudun Puolue—SMP), which managed to take votes from both Kesk and the socialist groups. It scored its first big successes in the 1970 national elections. Since then its electoral results have varied considerably. By late 1980s, it seemed a spent force.

After the 1966 national elections, President Kekkonen succeeded in forming a popular front coalition government that contained communists, socialists, and members of Kesk. Although this government lasted only two years and was succeeded for another decade by short-lived coalition and caretaker civil service governments, it was the beginning of what Finns call the politics of consensus (see Finland in the Era of Consensus, ch. 1). By the 1980s, consensus politics had become so dominant that some observers claimed that Finnish politics, long so bitter and contentious, had become the most boring in Western Europe. Although the larger parties differed on specific issues, and personal rivalries could be poisonous, there was broad agreement about domestic and foreign policy. The cabinet put in place after the 1983 elections, consisting mainly of social democrats and members of Kesk, completed its whole term of office, the first government to do so in the postwar period. Observers believed that the next government, formed in 1987 and composed mainly of conservatives and social democrats, would also serve out its term.

A foundation of the politics of consensus was the success of the system of broad incomes agreements that has characterized Finland's employee-employer relations in recent decades. The first of these, the Liinamaa Agreement, dated from 1968. By the 1980s, the process was so regular as to seem institutionalized. With about 80 percent of the work force as members, unions negotiated incomes agreements with employers' organizations (see Industrial Relations, ch. 3). The government often helped in the talks and subsequently proposed legislation embodying social welfare measures or financial measures that underpinned the agreements. The process was successful at increasing labor peace in a country that had been racked by strikes for the first decades after World War II. Although there were complaints that the agreements bypassed political channels or excluded minority opinion, the obvious prosperity they had helped bring about made the incomes policy system and the politics of consensus highly popular.

For much of its history, Finland had been a poor country, but in the postwar era it gradually became one of the world's most prosperous. At the end of the war, the country's economy faced

Chapter 1. Historical Setting



Fifteenth-century Olavinlinna Fortress in Savonlinna

THE SIGNAL ACHIEVEMENT OF FINLAND has been its survival against great odds—against a harsh climate, physical and cultural isolation, and international dangers. Finland lies at higher latitudes than any other country in the world, and the punishing northern climate has complicated life there considerably. Geographically, Finland is on the remote northern periphery, far from the mass of Europe, yet near two larger states, Sweden and Russia—later the Soviet Union, which have drawn it into innumerable wars and have dominated its development (see fig. 1).

At the beginning of its recorded history, in the eleventh century A.D., Finland was conquered by its powerful neighbor, Sweden. Christianization and more than 600 years of Swedish rule (c. 1150–1809) made the Finns an essentially West European people, integrated into the religion, culture, economics, and politics of European civilization. The Finns have, however, maintained their own language, which is complex and is not related to most other European languages.

The centuries of Swedish rule witnessed Finland's increasing involvement in European politics, particularly when the country served as a battleground between Sweden on the west and Russia on the east. Over the centuries, Russia has exerted an especially persistent and powerful pressure on Finland. Many wars were fought between Swedes and Finns on the one side and Russians on the other. Eventually, Russia conquered Finland and incorporated it into the Russian Empire, where it remained for more than a century, from 1809 to 1917.

Until the nineteenth century, the Finns were, like many other peoples of Europe, a subject nation seemingly without a culture or a history of their own. The national awakening of the nineteenth century brought recognition of the uniqueness of the Finnish people and their culture, and led to Finland's independence in 1917. Complicating the emergence of the Finnish people into national consciousness, however, was the split between the majority of Finnish speakers and a powerful and influential minority of Swedish speakers. Only during the twentieth century was this conflict gradually resolved.

In 1987 Finland celebrated the seventieth anniversary of its national independence, which was a hard-won achievement. Independence was threatened at the start by a bloody civil war in 1918 between Finnish leftists (Reds) and rightists (Whites); a victory by

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the Reds might have resulted in Finland's eventual absorption by the Soviet Union. One legacy of the war was a long-lasting political division between working-class Reds and middle-class Whites during the first two decades of independence. As a result, political extremism, as represented by communism and by fascism, was stronger in Finland than it was in many other Western democracies; it was eventually neutralized, however, and with time Finnish democracy became strongly rooted.

The most serious challenges to Finland's independence came during World War II, when the Finns twice faced attack by overwhelming Soviet forces. They fought heroically and were defeated both times, but the Soviets were narrowly prevented from occupying and absorbing Finland. Since World War II, the Soviet Union's status as a superpower has meant that it could at any time end Finland's existence as a separate state. Recognizing this, the Finns have sought and achieved reconciliation with the Soviets, and they have tenaciously pursued a policy of neutrality, avoiding entanglement in superpower conflicts.

The long era of peace after World War II made possible the blossoming of Finland as a modern, industrialized, social-welfare democracy. By the 1980s, the intense social conflicts of previous decades were largely reconciled, and the country's relationships with other nations were apparently stable.

Origins of the Finns

Present-day Finland became habitable in about 8,000 B.C., following the northward retreat of the glaciers, and at about that time Neolithic peoples migrated into the country. According to the legends found in the Finnish folk epic, the *Kalevala*, those early inhabitants included the people of the mythical land Pohjola, against whom the Kalevala people—identified with the Finns—struggled; however, archaeological and linguistic evidence of the prehistory of the region is fragmentary.

According to the traditional view of Finnish prehistory, ancestors of the Finns migrated westward and northward from their ancestral home in the Volga River basin during the second millennium B.C., arriving on the southern shore of the Baltic Sea some time during the next millennium. According to this folk history, the early Finns began a migration from present-day Estonia into Finland in the first century A.D. and settled along the northern coast of the Gulf of Finland. Recent research, suggesting that the Finns arrived in the region at a much earlier date, perhaps by 3,000 B.C., has questioned this traditional view, however (see fig. 2).

Historical Setting

Both the traditional and modern theories agree that in referring to this prehistoric age one should not speak of a Finnish people, but rather of Finnic tribes that established themselves in present-day southern Finland, gradually expanded along the coast and inland, and eventually merged with one another, absorbing the indigenous population. Among those tribes were the Suomalaiset, who inhabited southwestern Finland and from whom was derived Suomi, the Finnish word for Finland. The Tavastians, another Finnic tribe, lived inland in southern Finland; the Karelians lived farther east in the area of the present-day Karelian Isthmus and Lake Ladoga. On the southern coast of the Gulf of Finland were the Estonians, who spoke a Finno-Ugric language closely related to Finnish. North of the Finns were the Lapps (or Sami), who also spoke a Finno-Ugric language, but who resisted assimilation with the Finns.

Prehistoric Finnic peoples reached the Iron Age level of development, with social organization at the tribal stage. These Finnic tribes were threatened increasingly by the politically more advanced Scandinavian peoples to the west and the Slavic peoples to the east.

The Era of Swedish Rule, c. 1150-1809

During the Viking Age (c. A.D. 800-1050), Swedish Vikings came into contact with the Finns in the course of their expeditions eastward, which were aimed at establishing, via Russia, trade ties with the Arab world, although they built no permanent settlements in Finland. The Finns' name for the Swedes, Rus, was derived from the Finnish word for Sweden, Ruotsi, and is believed to be the origin of the name Russia.

Swedish influence in Finland grew at approximately the close of the Viking Age, when the Swedes were converted to Christianity by the Roman Catholic Church and soon afterward began missionary activities in Finland. Most Finns were converted to the Roman Catholic Church by about the mid-twelfth century, during the wave of crusades that began in 1095. A quasi-historical legend maintains that in 1157 a crusade was led against the polytheistic Finns by the Swedish King Erik IX and the English monk Henry, who had been appointed archbishop of Uppsala. According to tradition, Henry was martyred in Finland and was subsequently recognized as the country's patron saint. The success of the crusade was supposed to have given Sweden and Latin Christianity a solid foothold in Finland. There is no evidence of the crusade and Henry's role in it, however, and there are indications that Christian communities existed in Finland at an earlier date.

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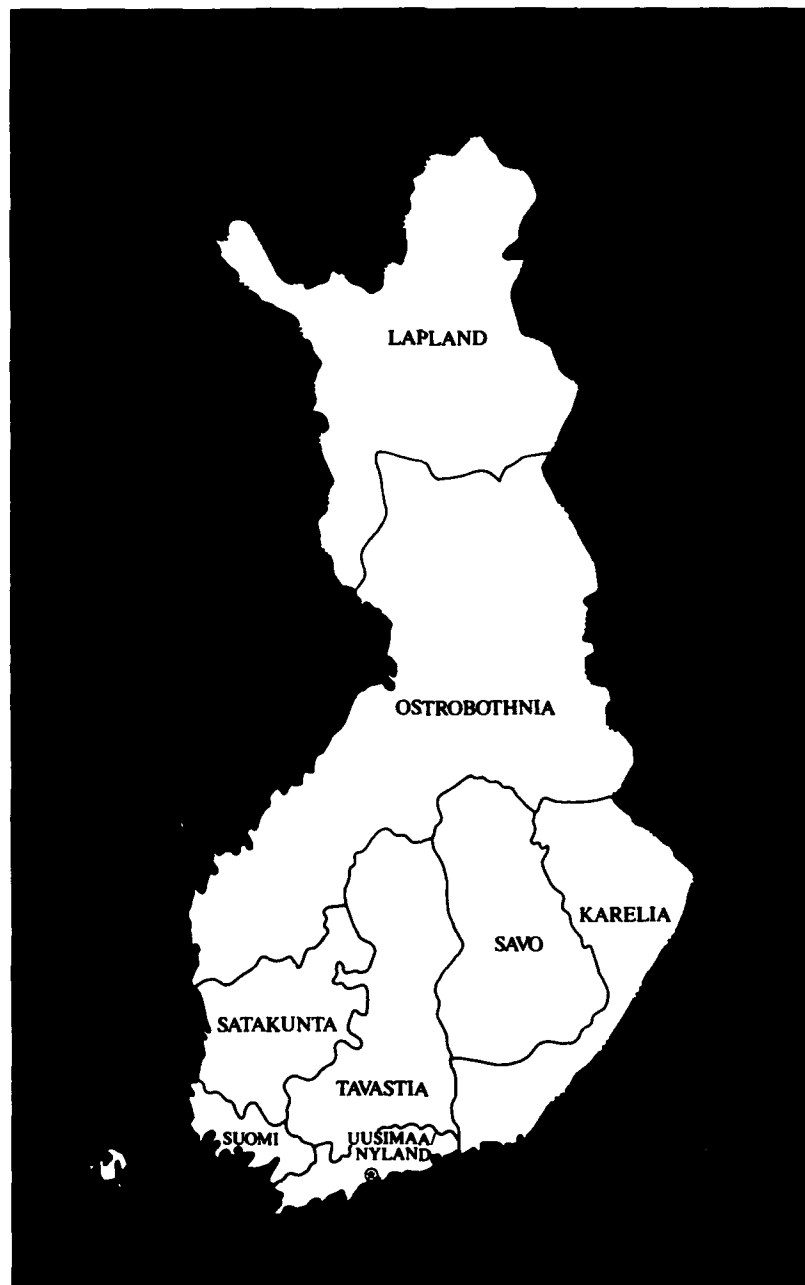


Figure 2. Historical Regions

Meanwhile, the Russians, partly on religious grounds, also sought control of Finland. They had been converted to Eastern Orthodox Christianity and subsequently tried to convert the Finns to this religion. Finnic peoples in eastern Karelia were converted to Orthodoxy and were thereby drawn into a different religious and cultural orbit from Swedish-ruled, Roman Catholic Finns in the west.

About 1240, Rome sanctioned two crusades in an effort to push the frontier of Latin Christianity eastward. Swedish crusaders first invaded Russia along the northern shore of the Gulf of Finland, but they were halted in 1240 on the banks of the Neva River by Prince Alexander of Novgorod, who thereby earned the name Alexander Nevsky ("of the Neva"). The second crusade, spearheaded by the Teutonic Knights, followed the southern shore of the Gulf of Finland and was defeated by Alexander Nevsky in 1242 on the ice of Lake Peipus. The Swedes initiated a final attempt to wrest eastern Karelia from the Russians in 1293, but the thirty years of war that followed failed to dislodge the Russians from the region. The Peace of Pähkinäsaari (Swedish, Nöteborg) in 1323, which ended this war, established the border between Finland and Russia that was maintained for nearly three hundred years (see fig. 3).

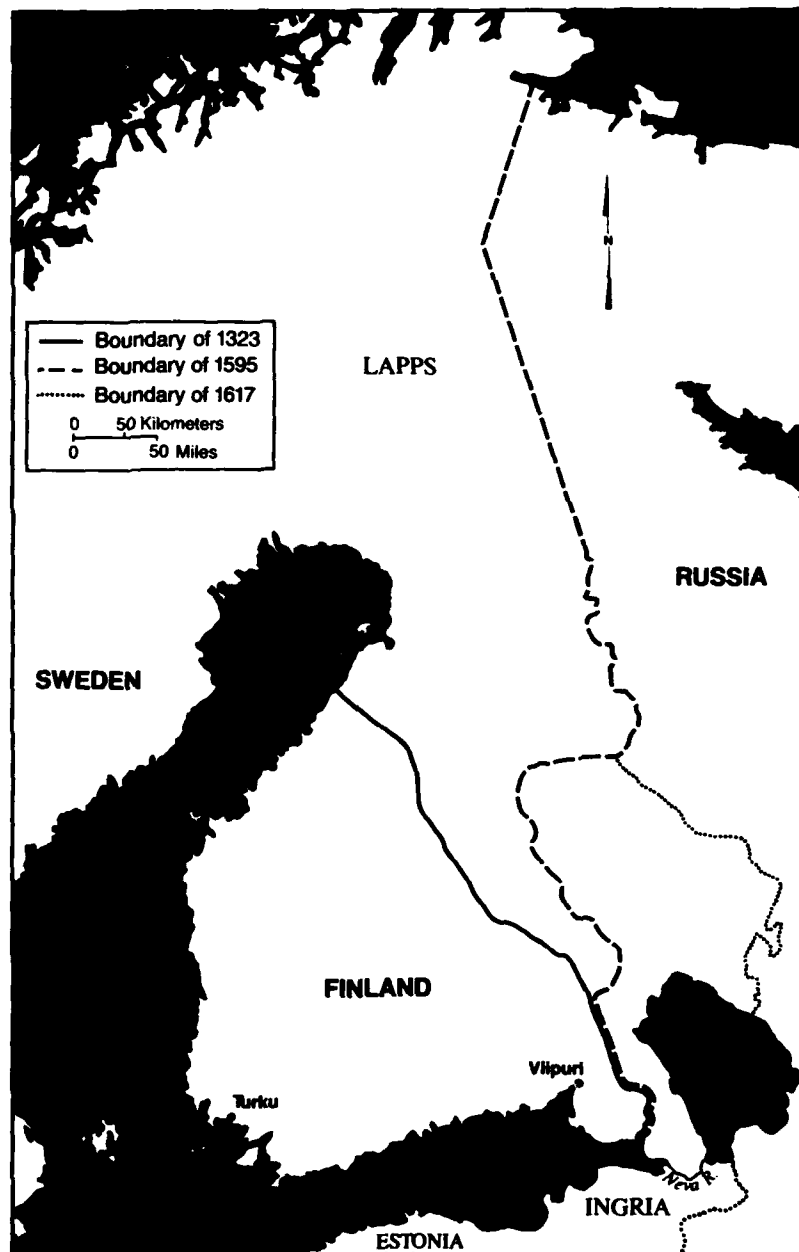
Sweden consolidated its control over Finland gradually, in a process that was facilitated by the introduction of Swedish settlers along the southern and the western coasts of Finland. The settlers, most of whom remained in the coastal region, became a ruling class within Finland, and Finland was politically integrated into the Swedish realm.

Medieval Society and Economy

The late medieval period was marked by the expansion of settlements along the coast and into the interior. The Finns gradually conquered the wilderness to the north, moved into it, cleared the forest, and established agricultural communities. This settling of the wilderness caused conflict between the Finnish farmers and the Lapp reindeer herdsman, forcing the Lapps slowly northward. By the end of the fifteenth century, the line of settlement was about 200 kilometers north of the Gulf of Finland, and it ran along most of the coast of the Gulf of Bothnia, though less than 100 kilometers inland. The population of Finland likewise had grown slowly in this difficult environment; it numbered about 400,000 by the end of the Middle Ages.

The economy of medieval Finland was based on agriculture, but the brevity of the growing season, coupled with the paucity of good soil, required that farming be supplemented by hunting, fishing,

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Source: Based on information from Eino Jutikkala and Kauko Pirinen, *A History of Finland*, New York, 1962, 23.

Figure 3. Finland to 1617

trapping, and gathering. All but a small portion of the Finnish population earned their livelihood in this way.

Although the European institution of serfdom never existed in Finland, and although most of the farmers were freemen, they had little political power. Society and politics were dominated by a largely Swedish-speaking nobility. Finland was represented, however, in the Swedish Diet of the Four Estates (Riksdag)—clergy, nobility, burghers, and farmers—that had advisory powers in relation to the king. The Finns also had some responsibility for matters of local justice and administration.

Catholicism was deeply rooted in medieval Finnish society. The church parishes doubled as units of local administration, and the church played the leading role in fostering an educated Finnish leadership and the development of the Finnish language. For example, the general requirement that parish priests use the indigenous language helped to maintain the speaking of Finnish. Turku (Swedish, Åbo), encompassing the whole country, was the only diocese, and the bishop of Turku was the head of the Finnish church. In 1291 the first Finn was named bishop, and thereafter all incumbents were native-born.

The southwestern seaport city of Turku, the seat of the bishopric, became the administrative capital of Finland. Turku was also the center of Finland's mercantile life, which was dominated by German merchants of the Hanseatic League. Finland's main exports at this time were various furs; the trade in naval stores was just beginning. The only other city of importance at this time was Viipuri (Swedish, Vyborg), which was significant both as a Hanseatic trade center and as a military bastion that anchored Finland's eastern defenses against the Russians.

The Kalmar Union

Only once has Scandinavia been united politically, from 1397 to 1523 under the Danish crown. The Kalmar Union came into existence essentially to allow the three Scandinavian states of Denmark, Sweden, and Norway to present a united front against foreign—primarily German—encroachments. The driving force behind the union was Queen Margaret I of Denmark, who had gained the Norwegian crown by marriage and the Swedish crown by joining with the Swedish nobility against an unpopular German king.

Under the Kalmar Union, monarchs sought to expand royal power, an attempt that brought them into conflict with the nobles. The union eventually came apart as a result of antagonisms between the Danish monarchy and the Swedish nobility, which controlled

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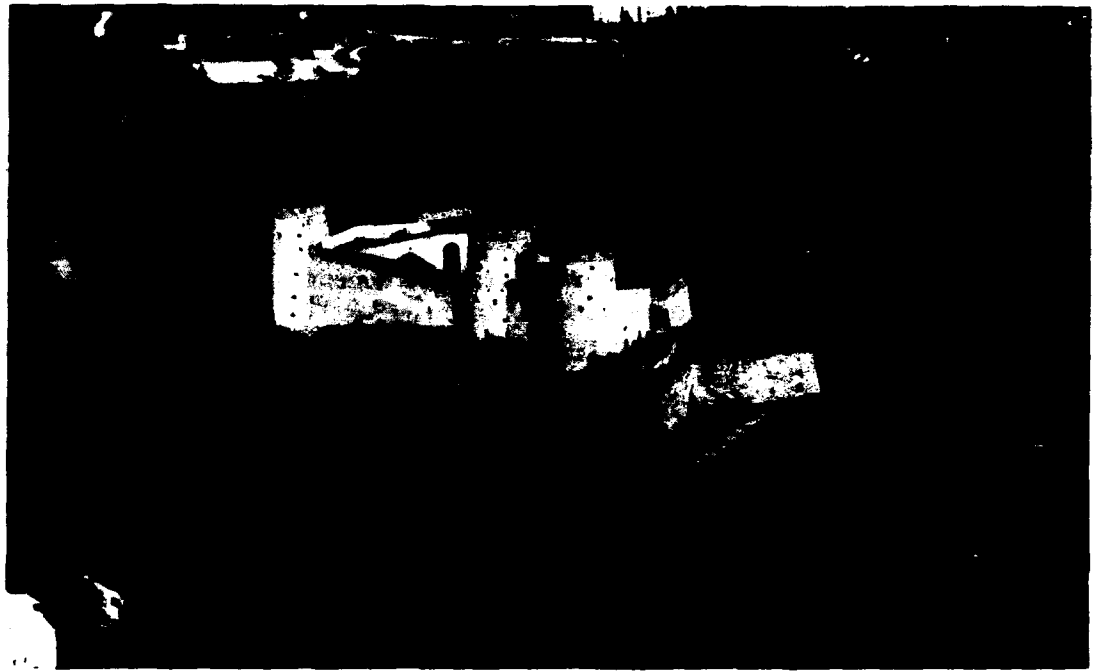
both Sweden and Finland. Frequent warfare marked Danish-Swedish relations during these years, and there was also fighting between factions competing for the Swedish crown. As a result of the turmoil, Finland suffered from heavy taxation, the disruption of commerce, and the effects of warfare carried out on its soil.

The struggle between Denmark and Sweden diverted essential resources from Finland's eastern defenses and left them open to attack by the Muscovites. The late fifteenth century had witnessed the steady expansion of the power of the Grand Duchy of Muscovy, which was eventually to become the basis for the Russian Empire. In 1478 Grand Duke Ivan III subdued Novgorod and thus brought Muscovite power directly to the border of Finland. In 1493 Denmark and Muscovy concluded a treaty of alliance aimed at embroiling Sweden in a two-front war, and in 1495 Muscovite forces invaded Finland. Although the fortress city of Viipuri held out, the Muscovites avoided the city, and, almost unchecked, devastated large areas of Finland's borderlands and interior. The Swedes made peace with Muscovy in 1497, and the borders of 1323 were reaffirmed, but the Swedish-Finnish nobility had to defend Finland without much direct assistance from Sweden.

A revolt, against the Kalmar Union, under the leadership of a Swedish noble named Gustav Vasa resulted in 1523 in the creation of a Swedish state separate from Denmark. Vasa became king of Sweden, as Gustav I Vasa, and he founded a dynasty that ruled Sweden-Finland for more than a century. He was generally credited with establishing the modern Swedish state. Under his rule, Finland remained integrated with the Swedish state, and the Swedish-Finnish nobility retained its primacy over local affairs.

The Reformation

The Protestant Reformation that Martin Luther initiated in Germany in 1517 spread quickly to other countries. German merchants, students, and missionaries soon brought Lutheran doctrines to Scandinavia, where for centuries German influence had been strong, and where, moreover, there was some receptivity to the new doctrines. By the time Luther died in 1546, Lutheranism was firmly implanted in the Scandinavian countries. Sweden-Finland converted to Lutheranism largely through the efforts of Gustav I Vasa, who acted mainly for political reasons, especially in order to strengthen the monarchy. The decisive break with Rome took place in 1527 at the Riksdag held at Västerås. This acceptance of Lutheranism enabled Gustav I Vasa, with the help of the aristocracy, to break the political power of the Roman Catholic Church, which had stood in the way of his desire for a stronger centralized state. The



*Olavinlinna, the castle built at Savonlinna to defend Finland's
eastern frontier against the Russians
Courtesy Embassy of Finland, Washington*

confiscation of Church properties that accompanied the Reformation also provided an enormous economic windfall for both the aristocracy and the monarchy. Before the Reformation, the Church had owned about one-fifth of the land in Sweden.

In Finland there was little popular demand for the Reformation because more than 90 percent of the homesteads were owned by the farmers, and the Church, which owned less than 10 percent, used most of its income to support schools and charities. Lutheranism was instituted without serious opposition, nevertheless. In part, this was attributable to the gradual and cautious manner in which Lutherans replaced Roman Catholic doctrines while retaining many Catholic customs and practices. The Lutheran Church was not firmly established finally until 1598, when the last Catholic king of Sweden-Finland, Sigismund, was driven from the throne.

The outstanding ecclesiastical figure of the Reformation in Finland was Mikael Agricola (1506-57), who exerted a great influence on the subsequent development of the country. Agricola had studied under Luther at Wittenberg, and, recognizing the centrality of the Bible in the Reformation, he undertook to translate the Bible into Finnish. Agricola's translation of the New Testament was published in 1548. He wrote other religious works and translated parts of the Old Testament as well. Because Finnish had

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not appeared previously in print, Agricola is regarded as the father of the Finnish literary language. After 1554 he served as the bishop of Turku, the highest office of the Finnish church.

The Reformation brought two educational benefits to Finland. Its emphasis on religious instruction in the vernacular languages supported an increase in literacy, especially after the Ecclesiastical Law of 1686 had confirmed royal control over the Lutheran Church of Sweden-Finland and had charged it with teaching the catechism to each church member. Another benefit of the Reformation was the founding of Åbo Academy in 1640 to provide theological training for Finnish clergymen. Åbo Academy was the precursor of the University of Helsinki, which later became the center of higher education in Finland and the focus of Finland's cultural life.

Finland and the Swedish Empire

During his reign, Gustav I Vasa concentrated on consolidating royal power in the dynasty that he had founded and on furthering the aims of the Reformation. In the process, he molded Sweden into a great power, but he wisely avoided involvement in foreign wars. His successors, however, sought, through an aggressive foreign policy, to expand Sweden's power in the Baltic area. This policy produced some ephemeral successes, and it led to the creation of a Swedish empire on the eastern and the southern shores of the Baltic Sea (see fig. 4; table 2, Appendix A).

Beginning in the mid-sixteenth century, Sweden's ambitious foreign policy brought it into conflict with the three other main powers that had an interest in the Baltic: Denmark, Poland, and Russia. These three powers fought numerous wars with Sweden, which was at war for more than 80 of the last 300 years it ruled Finland. Finland itself was often the scene of military campaigns that were generally conducted as total war and thus included the devastation of the countryside and the killing of civilians. One example of such campaigns was the war between Sweden and Russia that lasted from 1570 to 1595 and was known in Finland as the Long Wrath, because of the devastations inflicted on the country. Sweden was also heavily involved in the Thirty Years' War (1618-48), in which the Swedes under King Gustavus II Adolphus thwarted the advance of the Habsburg Empire to the shores of the Baltic and thereby secured the Swedish possessions there. Finnish troops were conscripted in great numbers into the Swedish army to fight in this or in other wars, and the Finns often distinguished themselves on the battlefield.

The Great Northern War began in 1700 when Denmark, Poland,

Historical Setting

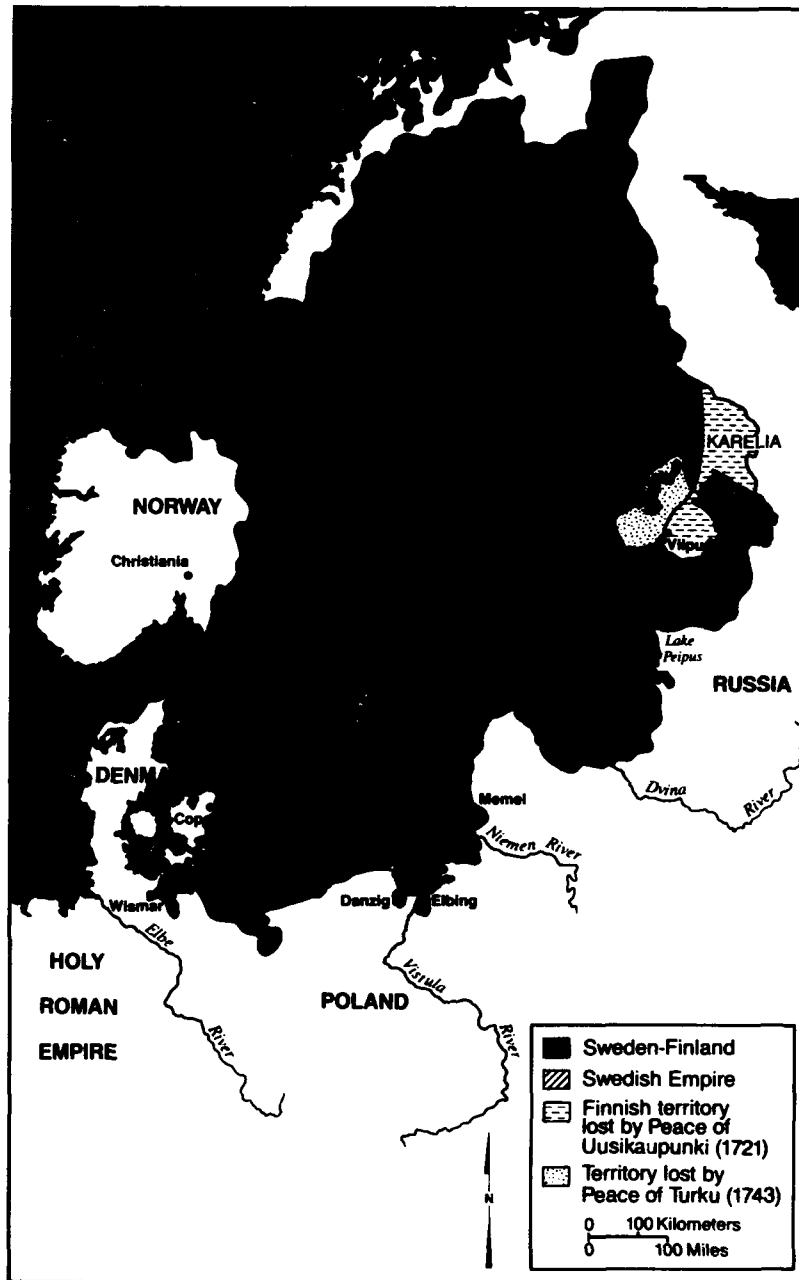
and Russia formed an alliance to take advantage of Sweden's apparent weakness at that time and to partition the Swedish empire. Sweden's youthful king Charles XII surprised them, however, with a series of military victories that knocked Denmark out of the war in 1700 and Poland, in 1706. The impetuous Swedish king then marched on Moscow, but he met disaster at the battle of Poltava in 1709. As a result, Denmark and Poland rejoined the war against Sweden. Charles attempted to compensate for Sweden's territorial losses in the Baltic by conquering Norway, but he was killed in action there in 1718. His death removed the main obstacle to a negotiated peace between Sweden and the alliance.

The Great Northern War ended on August 30, 1721, with the signing of the Peace of Uusikaupunki (Swedish, Nystad), by which Sweden ceded most of its territories on the southern and the eastern shores of the Baltic Sea. Sweden was also forced to pay a large indemnity to Russia, and, in return, the Russians evacuated Finland, retaining only some territory along Finland's southeastern border. This area included the fortress city of Viipuri. As a result of the war, Sweden's power was much reduced, and Russia replaced Sweden as the main power in the Baltic.

Finland's ability to defend itself had been impaired by the famine of 1696 in which about one-third of the Finnish people died of starvation, a toll greater than that caused by the Black Death in the fourteenth century. The war's greatest impact on Finland, beyond the heavy taxes and conscription, was caused by Russian occupation from 1714 to 1722, a period of great difficulty, remembered by the Finns as the Great Wrath. The hardships of being conquered by a foreign invader were compounded by Charles XII's insistence that the Finns carry on partisan warfare against the Russians. Much of the countryside was devastated by the Russians in order to deny Finland's resources to Sweden. Of the nearly 60,000 Finns who served in the Swedish army, only about 10,000 survived the Great Northern War. Finland's prewar population of 400,000 was reduced by the end of the war to about 330,000.

Charles XII's policies led to the repudiation of absolute monarchy in Sweden and to the ushering in of a half-century of parliamentary supremacy, referred to as the Age of Freedom. One major characteristic of this era was the strife between the two major political parties, the Hats, representing the upper classes, and the Caps, representing the lower classes. These political parties, however, proved no more competent in the realm of foreign affairs than the kings. In 1741 the Hats led Sweden into a war with Russia in order to try to undo the result of the Peace of Uusikaupunki. Russian forces thereupon invaded Finland and began, virtually without a

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Source: Based on information from William R. Shepherd, *Historical Atlas*, 7th ed., New York, 1929, 120.

Figure 4. Sweden-Finland, Sixteenth to Eighteenth Centuries

fight, a short-lived occupation known as the Lesser Wrath. In accordance with the Peace of Turku signed in 1743, Russia once again evacuated Finland, but took another slice of Finnish territory along the southeastern frontier.

King Gustav III, who in 1772 had reimposed absolutism in Sweden, also tried to alter the verdict of the Great Northern War. In 1788 Sweden declared war against Russia with the intention of regaining territory along Finland's eastern frontier. A significant incident during that war was the mutiny of a group of Finnish military officers, the Anjala League, the members of which hoped to avert Russian revenge against Finland. A leading figure in the mutiny was a former colonel in the Swedish army, Göran Sprengtporten. Most Finnish officers did not support the mutiny, which was promptly put down, but an increasing number of Finns, especially Finnish nobles, were weary of Finland's serving as a battleground between Sweden and Russia. Because of Russia's simultaneous involvement in a war with the Ottoman Empire, Sweden was able to secure a settlement in 1790 in the Treaty of Värälä, which ended the war without altering Finland's boundaries.

Sweden's frequent wars were expensive, and they led to increased taxation, among other measures for augmenting state revenues. A system of government controls on the economy, or mercantilism, was imposed on both Sweden and Finland, whereby the Finnish economy was exploited for the benefit of Sweden. In addition to hindering Finland's economic development, Sweden's wars enabled Swedish aristocrats and military officers to gain large estates in Finland as a reward for their services. The Swedish-speaking minority dominated landholding, government, and the military. Although free of serfdom, peasants paid high taxes, and they had to perform labor for the government. Through the provincial assemblies, the peasants retained a small measure of political power, but the Swedish-speaking nobility held most political and economic power in Finland.

Throughout this period, the peasantry continued to be the backbone of Finland's predominantly agrarian society. The frontier was pushed northward as new stretches of inland wilderness were settled. The potato was introduced into Finnish agriculture in the 1730s, and it helped to ensure a stable food supply. Although Finland's trade in naval stores—timber, tar, pitch, resin—was expanded considerably, the growth of an indigenous Finnish middle class was retarded by the continuing dominance of foreign merchants, especially the Germans and the Dutch.

The centuries-old union between Sweden and Finland came to an end during the Napoleonic wars. France and Russia became

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allies in 1807 at Tilsit, and Napoleon subsequently urged Russia to force Sweden into joining them against Britain. Tsar Alexander I obliged by invading Finland in 1808, and, after overwhelming Sweden's poorly-organized defenses, he conquered Finland in 1809. Sweden formally ceded Finland to Russia by the Treaty of Hamina (Swedish, Fredrikshamn) on September 17, 1809.

The Russian Grand Duchy of Finland, 1809–1917

Russia planned at first to annex Finland directly as a province of the Russian Empire, but in order to overcome the Finns' misgivings about Russian rule, Tsar Alexander I offered them the following solution. Finland was not annexed to the Russian Empire but was joined to Russia instead through the person of the tsar. In addition, Finland was made an autonomous state—the Grand Duchy of Finland—with its inherited traditions intact. Thus the laws and constitution of Finland remained unchanged, and the tsar took the place of the Swedish king as sovereign. The official forms of government inherited from the era of Swedish absolutism were sufficiently autocratic to allow the tsar to accept them largely intact; however, included in these forms of government was the comprehensive law code of 1734 that protected individual rights. Imperial assurances that Finland would be autonomous and that its traditions would be respected were encoded in two 1809 decrees that constituted for the Finns the basis of their relationship with Russia. The Finnish Diet that met at Porvoo (Swedish, Borgå) in 1809 seconded the tsar's decrees. As a further gesture of magnanimity, in 1812 the tsar restored to Finland the lands Russia had annexed in the eighteenth century. These conciliatory measures were effective, and, as long as Russia respected this arrangement, the Finns proved to be loyal subjects of the Russian Empire (see fig. 5).

According to the terms of the agreement reached between the Diet and the tsar, the government of Finland was directly controlled by the tsar, who appointed a governor general as his adviser. With one brief exception, all of the governors general were Russian. The first governor general was the Swedish-Finn Göran Sprengtporten, who was ably assisted by the prominent Swedish-Finn politician, Gustaf Mauritz Armfelt. The chief instrument of government in the grand duchy was the Government Council, renamed in 1816 the Senate, which was composed of fourteen Finns appointed by the tsar. The counterpart of the Senate in St. Petersburg was the Committee for Finnish Affairs, composed of Finns, which presented Finnish requests to the tsar; however, Finnish civil servants usually carried on the business of government with little interference from the tsarist government in St. Petersburg. The Diet was formally

the lawmaking body of the government; it could not initiate legislation, however, but could only petition the tsar to introduce legislation. The tsar, moreover, could summon and could dismiss the Senate without reference to the Diet. There was an independent judicial system. Finland even maintained its own customs system, and taxes collected in Finland remained in the country. Finns were exempted from conscription into the Russian army.

Despite these safeguards, Finland still felt the autocracy of the tsar. The Finnish Diet was dismissed in 1809, and it was not reconvened for more than fifty years. Although the government of the grand duchy represented an uneasy balance between the traditions of Finnish self-government and those of Russian autocracy, as long as the Russians respected the balance, the Finnish people were satisfied. The period of Russian rule was characterized by peaceful internal development, largely because, for the first time in centuries, Finland was free of war.

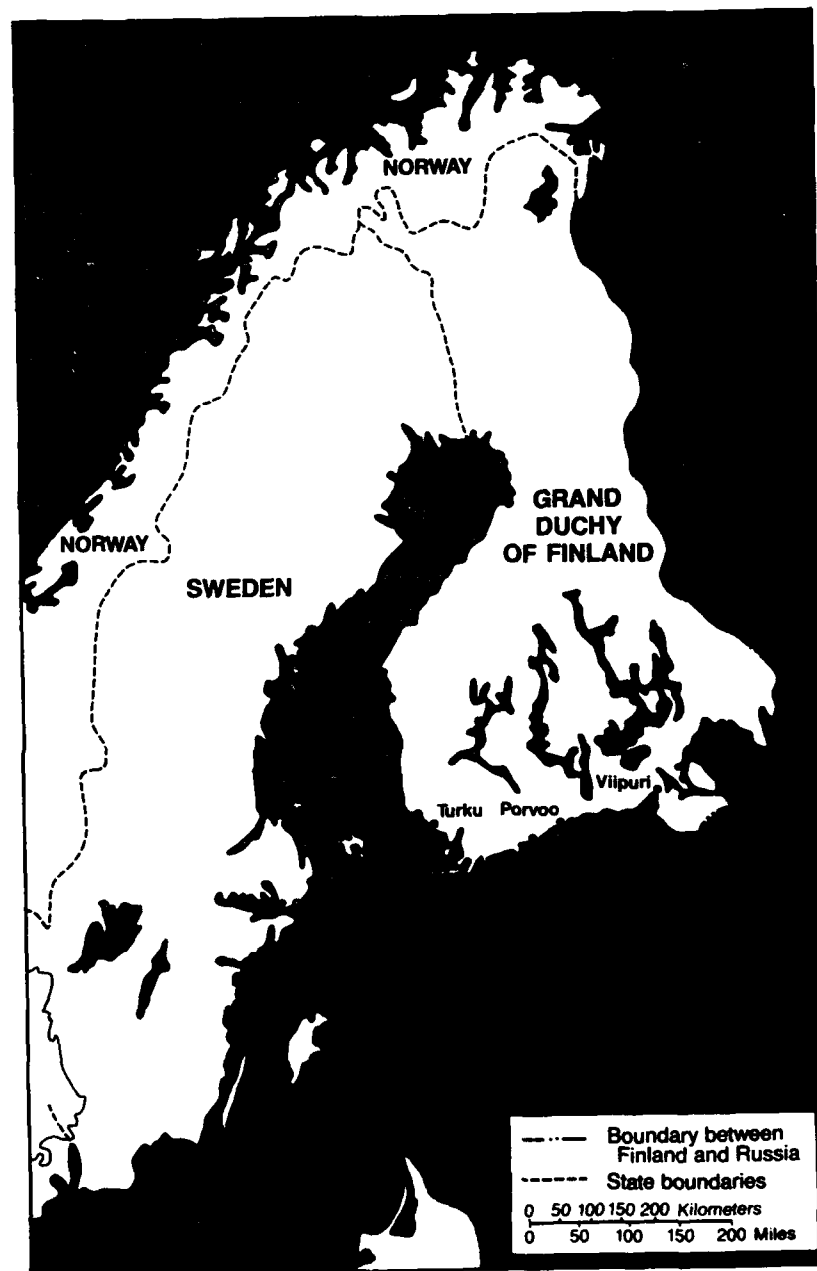
The Rise of Finnish Nationalism

The eighteenth century had witnessed the appearance of embryonic Finnish nationalism. Originating as an academic movement, it incorporated the study of linguistics, folklore, and history, which helped to establish a sense of national identity for the Finnish people. The leading figure of this movement was professor Henrik Gabriel Porthan of the University of Turku. The work of Porthan and others was an expression of the Finns' growing doubts about Swedish rule, and it prefigured the rise of Finnish nationalism in the nineteenth century.

In the nineteenth century, Finland witnessed the rise of not one but two national movements: Finnish-language nationalism and Swedish-language nationalism. The creation of the independent Finnish state in the twentieth century was made possible in large part by these nationalist movements.

Finnish-language nationalism arose in the nineteenth century, in part as a reaction against the dominance of the Swedish language in Finland's cultural and political life. The ethnic self-consciousness of Finnish speakers was given a considerable boost by the Russian conquest of Finland in 1809, because ending the connection with Sweden forced Finns to define themselves with respect to the Russians. At first the Russian government generally supported Finnish linguistic nationalism, seeing it as a way to alienate the Finns from Sweden and thereby to preclude any movement toward reintegration. For the same reason, the Russians in 1812 moved the capital of Finland from Turku to Helsinki, bringing it closer to St. Petersburg. Similarly, after a catastrophic fire

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Source: Based on information from Hugh Seton-Watson, *The Russian Empire 1801-1917*, Oxford, 1967, 774

Figure 5. Grand Duchy of Finland, 1809-1917

in Turku, the University of Turku was moved to Helsinki in 1827. The University of Helsinki soon became the center of the Finnish nationalist movement. Finnish-language nationalism, or the Fennoman movement, became the most powerful political force in nineteenth-century Finland. A famous phrase of uncertain origin that was coined in the early nineteenth century summed up Finnish feelings as follows: "We are no longer Swedes; we cannot become Russians; we must be Finns."

The leading Finnish nationalist spokesman was Johan Vilhelm Snellman (1806-81), who saw increasing the use of the Finnish language as a way for Finland to avoid assimilation by Russia. Snellman stressed the importance of literature in fostering national consciousness; until the nineteenth century, however, there had been almost nothing published in Finnish except for religious works. The publication in 1835 of the *Kalevala*, the Finnish folk epic, filled the void, and in the late twentieth century the *Kalevala* continued to be the single most important work of Finnish literature. Its author was a country doctor named Elias Lönnrot, who, while practicing medicine along Finland's eastern border, compiled hundreds of folk ballads that he wove together into an epic poem of nearly 23,000 lines. In the years following the publication of the *Kalevala*, numerous other works of Finnish literature were published. Of special importance was the work of the Swedish-language poet Johan Ludvig Runeberg (1804-77), who authored a collection of poems called *The Tales of Ensign Stål*. The first poem of the cycle, called "Our Land," was soon set to music, and it became the national anthem of Finland.

The growth of the militant and increasingly powerful Fennoman movement threatened the traditional dominance of the Swedish speakers in Finland, who reacted by forming a Swedish-speaking nationalist countermovement, the Svecoman movement. The main idea of the Svecomans was that the Swedish-speakers of Finland were a separate nation from the Finnish-speakers and needed to preserve their Swedish language and culture. The Svecomans became a small but powerful political movement that won the backing of much of the Swedish-speaking community in Finland.

A third political faction at this time was the short-lived Liberal Party. This party sought to obtain reforms for Finland, especially freedom of the press, greater self-government, and increased economic freedom. It was split, however, by the growing language controversy, and most of its members were absorbed into either the Fennomans or the Svecomans.

Emerging as a debate among educated Finns, the nationalist movement reached ever wider circles of the Finnish people in

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succeeding decades in the nineteenth century. Major breakthroughs for the Finnish-language movement were made possible by Russia's humiliating defeat in the Crimean War (1853-56), which opened up an era of reform in Russia. For example, in 1858 Finnish was established as the language of local self-government in those administrative districts where it was spoken by the majority of the inhabitants.

When Poland revolted in 1863, the Finns remained at peace, and the Russian government showed its gratitude by granting the Finns two major imperial edicts. The first summoned the Finnish Diet for the first time since 1809, an event that had long-term repercussions. The Diet enacted legislation establishing a separate Finnish monetary system and creating a separate Finnish army. The subsequent regular meetings of the Diet gave the Finns valuable experience in parliamentary politics. The second edict of 1863 was the Language Ordinance, which over a period of twenty years gave the Finnish language a status equal to that of Swedish in official business. Although Swedish speakers found ways of blocking the full implementation of the Language Ordinance, it still made possible a vast expansion of the Finnish language school system. Ultimately, the Language Ordinance led to the creation of an educated class of Finnish speakers, who provided articulate mass support for the nationalist cause.

Social and Economic Developments

Over the centuries, Finland underwent various political changes, but its society and economy remained fairly static. At the beginning of the nineteenth century, Finland was a predominantly agrarian country; about 90 percent of its population was engaged in farming. The scourges of war and famine had kept down the population, which in 1810 numbered somewhat under 900,000, only about 5 percent of which lived in cities.

Except for some copper, Finland was without important mineral deposits. During the nineteenth century, its sole natural resource was timber, and this became to be the basis on which industrialization was launched. By the mid-nineteenth century, wood was beginning to be in short supply in Central Europe and in Western Europe, but at the same time it was needed in unprecedented quantities for railroad ties, mineshaft supports, construction, and paper production. Finland thus found a ready and expanding market for its wood.

The development of the lumber industry was retarded for a time, however, by the lack of a modern economic infrastructure. Into the breach stepped the Finnish government, which promulgated

a number of measures aimed at creating the needed infrastructure. Railroads and inland waterways were developed, beginning in the 1850s and the 1860s, to connect the interior of the country with the coast; and harbor facilities were built that, through merchant shipping, connected Finland with the rest of the world. In addition, the Bank of Finland and the monetary system were reorganized, antiquated laws restricting economic activity were repealed, and tariff duties on many items were reduced or were abolished; thus, the Finnish government promoted industrialization and general progress in Finland.

The 1860s and the 1870s witnessed a tremendous boom in the Finnish lumber industry, which put Finland on the road to industrialization. Between then and 1914, the lumber industry spawned a number of associated industries for the production of wood pulp, paper, matches, cellulose, and plywood. The profits earned in these industries led in turn to the creation of numerous other enterprises that produced, among other things, textiles, cement, and metal products. Finland's leading trading partner by 1910 was Germany, followed by Russia and Britain. The trade in lumber products also stimulated the rise of a relatively large and modern Finnish merchant marine, which, after 1900, carried about half of Finland's foreign trade. Meanwhile, however, the steady conversion of merchant shipping from wooden-hulled sailing ships to iron-hulled and steel-hulled steamships curtailed Finland's traditional export of naval stores.

The growth of industry was accompanied by the emergence of an urban working class. As in early industrialization elsewhere, the living and working conditions of the new industrial laborers were poor, and these laborers sought to improve their situation through trade unions. Trade unions were legalized in 1883, and soon a number of them were established, including, in 1907, a national trade union organization, the Finnish Trade Union Federation (Suomen Ammattijärjestö—SAJ). Workers founded a political party in 1899 to represent them in the Diet, and in 1903 it was renamed the Finnish Social Democratic Party (Suomen Sosialidemokraattinen Puolue—SDP). By the elections of 1907, the SDP was already the largest single party in politics. Both the SAJ and the SDP were heavily influenced by their counterparts in Germany, and, as a consequence, their doctrines had a pronounced Marxist character. The SDP grew even more radical, in part because of the resistance of the middle-class parties to virtually all aspects of social reform, but also because of its strict adherence to the Marxist dogma of class conflict. One example of its radicalism was its persistent unwillingness to cooperate with any of the

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other political parties. Another was its program, which began in 1911 to change from upholding the right of farmers to own their own land to demanding that land be nationalized—a change that cost the SDP most of its support among agricultural laborers.

In spite of industrialization, Finland in the early twentieth century was still predominantly an agrarian state. Agriculture also had undergone modernization, however, a process that had had a significant impact on Finland. The introduction of the potato in the eighteenth century had significantly reduced the threat of famine; the gradual introduction of scientific agricultural techniques during the nineteenth century had brought about further increases in productivity.

The ultimate consequence of this increased agricultural productivity was a significant increase of the population from 865,000 in 1810 to 2,950,000 in 1910. Some of this surplus rural population was absorbed by the growing urban factory centers, but the rest of these people were forced to stay on the land. Because the amount of arable land in Finland was limited, about two-thirds or more of the agricultural population was relegated to the status of tenant farmers and landless agricultural laborers. These people's lives were precarious because of their large numbers and their dependence on the vagaries of the harvests. The tsarist government did little on their behalf, and the Diet, which was dominated by middle-class interests, showed no great concern for them. As a result, from about 1870 to 1920, approximately 380,000 people left Finland, more than 90 percent of them for the United States. Of those remaining in Finland, many were initially attracted by the SDP, until its pronounced atheistic outlook and its aim of nationalizing land alienated them. A program of land reform, begun after independence, eventually integrated these agricultural laborers into the Finnish economy.

One expression of popular discontent with the status quo during the nineteenth century was the rise of religious movements that challenged the formalistic and rationalistic Lutheran state church. Of special significance was the Pietist movement, in which the farmer-evangelist Paavo Ruotsalainen (1777–1852) was the most important figure (see Lutheran Church of Finland, ch. 2). The Pietists popularized the notion of personal religion, an idea that appealed to the agrarian population. Pietism eventually had much influence within the Lutheran Church of Finland; it was also influential among Finnish emigrants to the United States, where, among other things, it provided an effective counterweight to Finnish political radicalism.

The Era of Russification

The Russian Empire in the late nineteenth century faced a number of seemingly intractable problems associated with its general backwardness. At the same time, ethnocentric, authoritarian Russian nationalism was on the rise, as manifested both in an aggressive foreign policy and in a growing intolerance of non-Russian minorities within the empire. The Russian government began implementing a program of Russification that included the imposition of the Russian language in schools and in governmental administration. The goal of these measures was to bring non-Russian peoples into the Russian cultural sphere and under more direct political control. Poles bore the brunt of the Russification policies, but eventually other non-Russian peoples also began to feel its pressure.

Russian nationalists considered the autonomous state of Finland an anomaly in an empire that strove to be a unified autocratic state; furthermore, by the 1890s Russian nationalists had several reasons to favor the Russification of Finland. First, continued suspicions about Finnish separatism gained plausibility with the rise of Finnish nationalism. Second, Finnish commercial competition began in the 1880s. Third, Russia feared that Germany might capitalize on its considerable influence in Sweden to use Finland as a staging base for an invasion of Russia. The Russian government was concerned especially for the security of St. Petersburg. Fourth, there was a growing desire that the Finns, who enjoyed the protection of the Russian Empire, should contribute to that protection by allowing the conscription of Finnish youths into the Russian army. These military considerations were decisive in leading the tsarist government to implement Russification, and it was a Russian military officer, Nikolai Ivanovich Bobrikov, who, in October 1898, became the new governor general and the eventual instrument of the policy.

The first major measure of Russification was the February Manifesto of 1899, an imperial decree that asserted the right of the tsarist government to rule Finland without consulting either the Finnish Senate or the Diet. This decree relegated Finland to the status of the other provinces of the Russian Empire, and it cleared the way for further Russification. The response of the Finns was swift and overwhelming. Protest petitions circulated rapidly throughout Finland, and they gathered more than 500,000 signatures. In March 1899, these petitions were collected, and they were submitted to the tsar, who chose to ignore this so-called Great Address. The February Manifesto was followed by the Language

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Manifesto of 1900, which was aimed at making Russian the main administrative language in government offices.

In spite of the impressive show of unity displayed in the Great Address, the Finns were divided over how to respond to Russification. Those most opposed to Russification were the Constitutionalists, who stressed their adherence to Finland's traditional system of government and their desire to have it respected by the Russian government. The Constitutionalists formed a political front that included a group of Finnish speakers, called the Young Finns, and most Swedish speakers. Another party of Finnish speakers, called the Old Finns, represented those who were tempted to comply with Russification, partly out of a recognition of their own powerlessness and partly out of a desire to use the Russians to undermine the influence of Swedish speakers in Finland. These Finns were also called Compliers, but by 1910 the increasingly unreasonable demands of the tsarist government showed their position to be untenable. The SDP favored the Constitutionalists, insofar as it favored any middle-class party.

The measure that transformed Finnish resistance into a mass movement was the new conscription law promulgated by the tsar in July 1901. On the basis of the February Manifesto, the tsar enacted a law for Finland that dramatically altered the nature of the Finnish army. Established originally as an independent army with the sole mission of defending Finland, the Finnish army was now incorporated into the Russian army and was made available for action anywhere. Again the Finns responded with a massive petition containing about half a million signatures, and again it was ignored by the tsar; however, this time the Finns did not let matters rest with a petition, but rather followed it up with a campaign of passive resistance. Finnish men eligible for conscription were first called up under the new law in 1902, but they responded with the so-called Army Strike—only about half of them reported for duty. The proportion of eligible Finns complying with the draft rose in 1903, however, from about half to two-thirds and, in 1904, to about four-fifths. The high incidence of non-compliance nevertheless convinced the Russian military command that the Finns were unreliable for military purposes, and, as a consequence, the Finns were released from military service in return for the levy of an extra tax, which they were to pay to the imperial government.

The Finns' victory in the matter of conscription was not achieved until the revolution of 1905 in Russia. In the meantime, the Russian government had resorted to repressive measures against the Finns. They had purged the Finnish civil service of opponents of Russification; they had expanded censorship; and, in April 1903,

they had granted dictatorial powers to Governor General Bobrikov. These years also witnessed the growth of an active and conspiratorial resistance to Russification, called the *Kagal* after a similar Jewish resistance organization in Russia. In June 1904, the active resistance succeeded in assassinating Bobrikov, and his death brought a lessening of the pressure on Finland.

The first era of Russification came to an end with the outbreak of revolution in Russia. The general strike that began in Russia in October 1905 spread quickly to Finland and led there, as in Russia, to the assumption of most real power by the local strike committees. As in Russia, the revolutionary situation was defused quickly by the sweeping reforms promised in the tsar's October Manifesto, which for the Finns suspended, but did not rescind, the February Manifesto, the conscription law, and Bobrikov's dictatorial measures.

In 1906, the tsar proposed that the antiquated Finnish Diet be replaced by a modern, unicameral parliament. The Finns accepted the proposal, and the *Eduskunta* was created. Also included in the tsar's proposal was the provision that the parliament be elected by universal suffrage, a plan that the Finns accepted, thanks to the spirit of national solidarity they had gained through the struggle against Russification. The number of eligible voters was increased thereby from 125,000 to 1,125,000, and Finland became the second country, after New Zealand, to allow women to vote. When the new parliament met in 1907, the SDP was the largest single party, with 80 of 200 seats.

Partly out of frustration that the revolution of 1905 had not accomplished more, the Finnish SDP became increasingly radical. Foreshadowing the civil war, the short-lived revolutionary period also brought about, in 1906, the first armed clash between the private armies of the workers (Red Guard) and the middle classes (Civil Guard or White Guard). Thus the Finns were increasingly united in their opposition to Russification, but they were split on other major issues.

By 1908 the Russian government had recovered its confidence sufficiently to resume the program of Russification, and in 1910 Russian prime minister Pyotr Stolypin easily persuaded the Russian parliament, the Duma, to pass a law that ended most aspects of Finnish autonomy. By 1914 the Finnish constitution had been greatly weakened, and Finland was ruled from St. Petersburg as a subject province of the empire.

The outbreak of World War I had no immediate effects on Finland because Finns—except for a number of Finnish officers in the Russian army—did not fight in it, and Finland itself was

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not the scene of fighting. Finland suffered from the war in a variety of ways, nevertheless. Cut off from overseas markets, Finland's primary industry—lumber—experienced a severe decline, with layoffs of many workers. Some of the unemployed were absorbed by increased production in the metal-working industry, and others found work constructing fortifications in Finland. By 1917 shortages of food had become a major problem, contributing further to the distress of Finnish workers. In addition, sizable contingents of the Russian army and navy were stationed in Finland. These forces were intended to prevent a German incursion through Finland, and by 1917 they numbered more than 100,000 men. The Finns disliked having so many Russians in their country, and all of this discontent played into the hands of the SDP, the main opposition party, which in the 1916 parliamentary elections won 103 of 200 seats in the Eduskunta—an absolute majority.

There were no longer any doubts about Russia's long-term objectives for Finland after November 1914, when the Finnish press published the Russian government's secret program for the complete Russification of Finland. Germany appeared as the only power capable of helping Finland, and many Finns thus hoped that Germany would win the war, seeing in Russia's defeat the best means of obtaining independence. The German leadership, for its part, hoped to further its war effort against Russia by aiding the Finns. In 1915, about 2,000 young Finns began receiving military training in Germany. Organized in a *jaeger* (light infantry) battalion, these Finns saw action on the eastern front.

By 1917, despite the divisions among the Finns, there was an emerging unanimity that Finland must achieve its independence from Russia. Then in March 1917, revolution broke out in Russia, the tsar abdicated, and within a few days the revolution spread to Finland. The tsarist regime had been discredited by its failures and had been toppled by revolutionary means, but it was not yet clear what would take its place.

Independence and the Interwar Era, 1917-39

More than a century of Russian rule in Finland ended in 1917. The Finns, however, experienced no easy transition to independence, but rather endured a bloody civil war between their own leftist Reds and rightist Whites. Finally, a leftist takeover was averted; Finland's independence was secured; and a parliamentary democracy emerged (see fig. 6).

The Finnish Civil War

The Revolution that was underway in Russia by March 8, 1917,

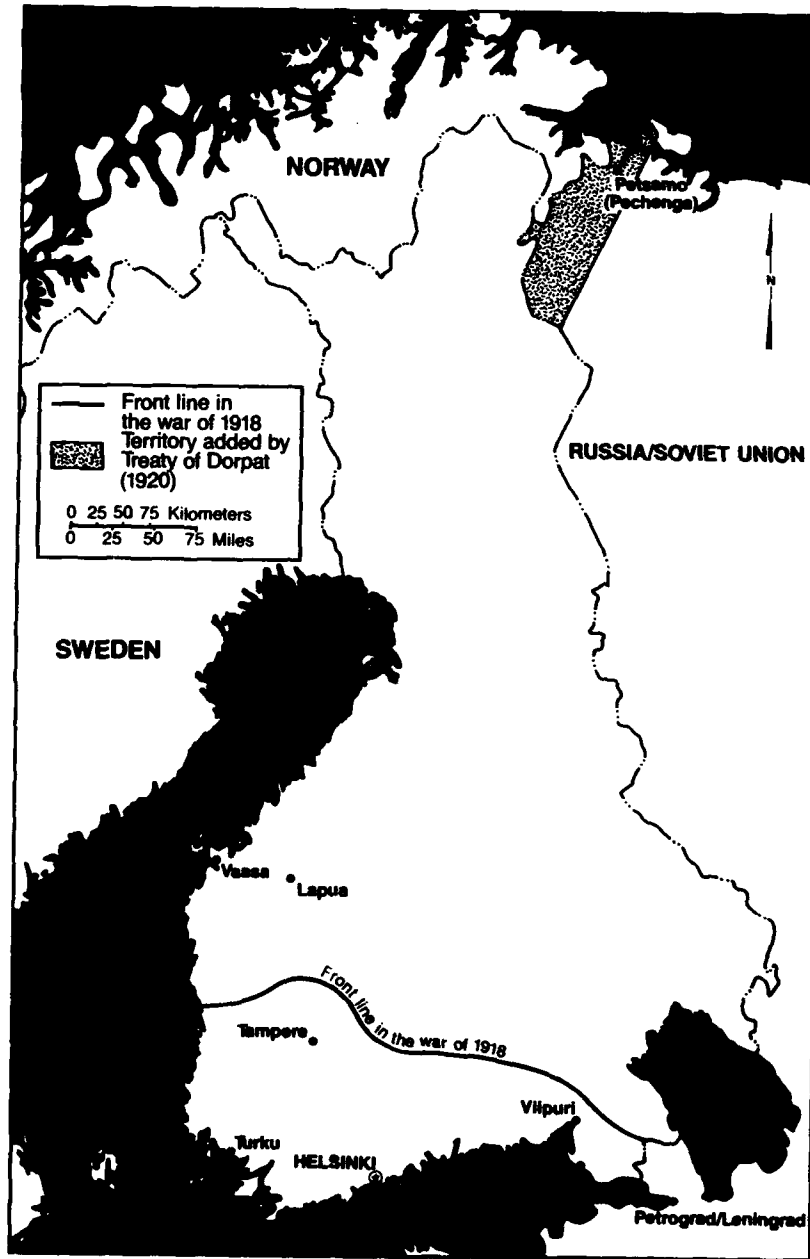
spread to Helsinki on March 16, when the Russian fleet in Helsinki mutinied. The Provisional Government promulgated the so-called March Manifesto, which cancelled all previous unconstitutional legislation of the tsarist government regarding Finland. The Finns overwhelmingly favored independence, but the Provisional Government granted them neither independence nor any real political power, except in the realm of administration. As during the Revolution of 1905, most actual power in Finland was wielded by the local strike committees, of which there were usually two: one, middle-class; the other, working-class. Also as before, each of the two factions in Finnish society had its own private army: the middle class, the Civil Guard; and the workers, the Red Guard. The disintegration of the normal organs of administration and order, especially the police, and their replacement by local strike committees and militias unsettled society and led to a growing sense of unease.

Contention among political factions grew. The SDP first sought to use its parliamentary majority to increase its power at the expense of the Provisional Government. In July 1917, it passed the so-called Power Act, which made the legislature supreme in Finland, and which reserved only matters of foreign affairs and defense for the Provisional Government. The latter thereupon dissolved the Finnish parliament and called for new elections. The campaign for these new elections was bitterly fought between the socialists and the nonsocialists. Violence between elements of the middle class and the working class escalated at this time, and murders were committed by both sides. The nonsocialists won in the election, reducing the socialist contingent in the parliament to 92 of 200 seats, below the threshold of an absolute majority.

Meanwhile, the socialists were becoming disillusioned with parliamentary politics. Their general failure to accomplish anything, using parliamentary action, from 1907 to 1917 contrasted strongly with their successes in the 1905 to 1906 period, using direct action. By autumn 1917, the trend in the SDP was for the rejection of parliamentary means in favor of revolutionary action. The high unemployment and the serious food shortages suffered, in particular, by the Finnish urban workers accelerated the growth of revolutionary fervor. The SDP proposed a comprehensive program of social reform, known as the We Demand (*Me vaadimme*) in late October 1917, but it was rejected by parliament, now controlled by the middle class. Acts of political violence then became more frequent. Finnish society was gradually dividing into two camps, both armed, and both intent on total victory.

The Bolshevik takeover in Russia in November 1917 heightened

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Source: Based on information from Eino Jutikkala and Kauko Pirinen, *A History of Finland*, New York, 1962, 152.

Figure 6. Republic of Finland, 1917-40

emotions in Finland. For the middle classes, the Bolsheviks aroused the specter of living under revolutionary socialism. Workers, however, were inspired by the apparent efficacy of revolutionary action. The success of the Bolsheviks emboldened the Finnish workers to begin a general strike on November 14, 1917, and within forty-eight hours they controlled most of the country. The most radical workers wanted to convert the general strike into a full seizure of power, but they were dissuaded by the SDP leaders, who were still committed to democratic procedures and who helped to bring an end to the strike by November 20. Already there were armed clashes between the Red Guards and the White Guards; during and after the general strike, a number of people were killed.

Following the general strike, the middle and the upper classes were in no mood for compromise, particularly because arms shipments and the return of some *jaegers* from Germany were transforming the White Guards into a credible fighting force. In November a middle-class government was established under the tough and uncompromising Pehr Evind Svinhufvud, and on December 6, 1917, it declared Finland independent. Since then, December 6 has been celebrated in Finland as Independence Day. True to his April Theses that called for the self-determination of nations, Lenin's Bolshevik government recognized Finland's independence on December 31.

Throughout December 1917 and January 1918, the Svinhufvud government demonstrated that it would make no concessions to the socialists and that it would rule without them. The point of no return probably was passed on January 9, 1918, when the government authorized the White Guard to act as a state security force and to establish law and order in Finland. That decision in turn encouraged the workers to make a preemptive strike, and in the succeeding days, revolutionary elements took over the socialist movement and called for a general uprising to begin on the night of January 27-28, 1918. Meanwhile, the government had appointed a Swedish-speaking Finn and former tsarist general, Carl Gustaf Emil Mannerheim (1867-1951), as the commander of its military forces, soon to be called the Whites. Independently of the Reds, Mannerheim also called for military action to begin on the night of January 27-28. Whether or not the civil war was avoidable has been debated ever since, but both sides must share in the responsibility for its outbreak because of their unwillingness to compromise.

Within a few days of the outbreak of the civil war, the front lines had stabilized. The Whites, whose troops were mostly farmers, controlled the northern and more rural part of the country. The Reds,

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who drew most of their support from the urban working class, controlled the southern part of the country, as well as the major cities and industrial centers and about one-half of the population. The Red forces numbered 100,000 to 140,000 during the course of the war, whereas the Whites mustered at most about 70,000.

The soldiers of both armies displayed great heroism on the battlefield; nevertheless, the Whites had a number of telling advantages—probably the most important of which was professional leadership—that made them the superior force. Mannerheim, the Whites' military leader, was a professional soldier who was experienced in conducting large-scale operations, and his strategic judgment guided the White cause almost flawlessly. He was aided by the influx of jaegers from Germany, most of whom were allowed to return to Finland in February 1918. The White side also had a number of professional Swedish military officers, who brought military professionalism even to the small-unit level. In addition, beginning in February, the Whites had better equipment, most of which was supplied by Germany. Finally, the Whites had the benefit of more effective foreign intervention on their side. The approximately 40,000 Russian troops remaining in Finland in January 1918 helped the Finnish Reds to a small extent, especially in such technical areas as artillery, but these troops were withdrawn after the signing of the Treaty of Brest-Litovsk on March 3, 1918, and thus were gone before fighting reached the crucial stage. On the White side, however, the Germans sent not only the jaegers and military equipment but also a reinforced division of first-rate troops, the Baltic Division, which proved superior to the Reds.

The Red Guards suffered from several major disadvantages: poor leadership, training, and equipment; food shortages; the practice of electing officers democratically, which made discipline lax; and the general unwillingness of the Red troops to go on offensive operations or even to operate outside their local areas. Ultimately, the Reds suffered most from a lack of dynamic leadership. There was no Finnish Lenin to direct the revolution, and there was no Finnish Trotsky to vitalize the Red armed forces. These Red disadvantages became apparent in late March and early April 1918, when the Whites won a decisive victory by reducing the Red stronghold of Tampere, the major inland industrial center. At about the same time, German forces landed along the southern coast, quickly driving all before them, securing Helsinki on April 13 and, in the process, destroying about half of the remaining effective strength of the Red Guards. The last Red strongholds in southeastern Finland were cleared out in late April and early May 1918, and thousands of Finnish Reds, including the Red leadership, escaped into



*Victory parade by German and Finnish White Guard troops,
Helsinki, May 1918
Courtesy Embassy of Finland, Washington*

the Soviet Union. On May 16, 1918, General Mannerheim entered Helsinki, formally marking the end of the conflict. Each year thereafter, until World War II, May 16 was celebrated by the Whites as a kind of second independence day.

The tragedy of the civil war was compounded by a reign of terror that was unleashed by each side. In Red-dominated areas, 1,649 people, mostly businessmen, independent farmers, and other members of the middle class, were murdered for political reasons. This Red Terror appears not to have been a systematic effort to liquidate class enemies, but rather to have been generally random. The Red Terror was disavowed by the Red leadership and illustrated the extent to which the Red Guard evaded the control of the leadership. More than anything else, the Red Terror helped to alienate the populace from the Red cause; it also harmed the morale of the Reds.

The Red Terror confirmed the belief of the Whites that the Reds were criminals and traitors and were therefore not entitled to the protection of the rules of war. As a consequence, the Whites embarked on their own reign of terror, the White Terror, which proved much more ferocious than the Red Terror. First, there were reprisals against defeated Reds, in the form of mass executions of Red prisoners. These killings were carried on by local White

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commanders over the opposition of White leadership. At least 8,380 Reds were killed, more than half after the Whites' final victory. Another component of the White Terror was the suffering of the Reds imprisoned after the war. The Whites considered these Reds to be criminals and feared that they might start another insurrection. By May 1918, they had captured about 80,000 Red troops, whom they could neither house nor feed. Placed in a number of detention camps, the prisoners suffered from malnutrition and general neglect, and within a few months an estimated 12,000 of them had died. The third aspect of the White Terror was legal repression. As a result of mass trials, approximately 67,000 Reds were convicted of participating in the war, and of these 265 were executed; the remainder lost their rights of citizenship, although many sentences were later suspended or commuted.

The civil war was a catastrophe for Finland. In only a few months, about 30,000 Finns perished, less than a quarter of them on the battlefield, the rest in summary executions and in detention camps. These deaths amounted to about 1 percent of the total population of Finland. By comparison, the bloodiest war in the history of the United States, the Civil War, cost the lives of about 2 percent of the population, but that loss was spread out over four years.

The memory of the injuries perpetrated during the war divided the society into two camps; victors and vanquished. The working class had suffered the deaths of about 25,000 from battle, execution, or prison, and thousands of others had been imprisoned or had lost their political rights. Almost every working-class family had a direct experience of suffering or death at the hands of the Whites, and perhaps as much as 40 percent of the population was thereby alienated from the system. As a result, for several generations thereafter, a large number of Finns expressed their displeasure with the system by voting communist; and until the 1960s, the communists often won a fifth or more of the vote in Finland's national elections, a higher percentage than they did in most Western democracies.

The divisions in society that resulted from the conflict were so intense that the two sides could not even agree on what it ought to be called. The right gave it the name "War of Independence," thereby stressing the struggle against Russian rule, for they had feared that a Red victory could well lead to the country's becoming a Soviet satellite. Leftists emphasized the domestic dimensions of the conflict, referring to it by the term "Civil War." Their feelings about the course of the hostilities were so intense that, until the late 1930s, Social Democrats refused to march in the Independence Day

parade. Today, with the passing of decades, historians have generally come to define the clash as a civil war.

The Establishment of Finnish Democracy

The end of the civil war in May 1918 found the government of Prime Minister Svinhufvud seated again in Helsinki. Many Finns, however, now questioned establishing the republic mentioned in the declaration of independence of December 6, 1917. Monarchist sentiment was widespread among middle-class Finns after the civil war for two reasons: monarchist Germany had helped the Whites to defeat the Reds, and a monarchy seemed capable of providing strong government and, thus, of better protecting the country. Owing to the absence from parliament of most of the socialists, rightists held the majority, through which they sought to establish a monarchical form of government. On May 18, 1918, that is, two days after General Mannerheim's triumphal entry into Helsinki, Svinhufvud was elected the "possessor of supreme authority," and the search for a suitable monarch began. The new prime minister was a prominent White politician, Juho Kusti Paasikivi. Its strongly pro-German mood led the government to offer the crown to a German nobleman, Friedrich Karl, Prince of Hesse, in October 1918. The sudden defeat of Germany in November 1918, however, discredited Svinhufvud's overtly pro-German and monarchical policy and led to his replacement by Mannerheim.

Meanwhile, the SDP was reorganized under Väinö Tanner, a Social Democrat who had not joined in the Red uprising, and this newly formed SDP repudiated the extremism and violence that had led to civil war. In the general parliamentary election of March 1919, the SDP again became the largest single party, winning 80 of 200 parliamentary seats. In conjunction with Finnish liberals, the SDP ensured that Finland would be a republic. On July 17, 1919, the parliament adopted a constitution that established a republican form of government, safeguarded the basic rights of citizens, and created a strong presidency with extensive powers and a six-year term of office. This Constitution was still in effect in 1988. Also in July 1919, the first president of Finland was elected. He was a moderate liberal named Kaarlo Juho Ståhlberg, who had been the primary author of the Constitution. White Finland's main leaders, Svinhufvud, Mannerheim, and Paasikivi, retired from public life in 1918 and 1919, but each of the three would later be recalled to serve as president at a crucial moment in Finland's development—in 1931, 1944, and 1946, respectively. It is a tribute to the strength of the democratic tradition in Finland that the country was able to undergo a bloody and bitter civil war and almost

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immediately afterward recommence the practices of parliamentary democracy.

The achievement of independence and the experience of the civil war helped to bring about a major realignment of the political parties. The Old Finn Party and the Young Finn Party were disbanded, and Finnish speakers were divided into two new parties: conservatives and monarchists formed the National Coalition Party (Kansallinen Kokoomuspuolue—KOK); and liberals and republicans formed the National Progressive Party (Kansallinen Edistyspuolue—ED), the ranks of which included President Ståhlberg. The Agrarian Party (Maalaisliitto—ML) took on the interests of farmers, and the Swedish People's Party (Svenska Folkpartiet—SFP), which had been founded in 1906, continued to represent the interests of Swedish speakers. The process of rehabilitating the SDP proceeded so far that in 1926 it was entrusted briefly with forming a government, with Väinö Tanner as prime minister. Of the twenty governments formed from 1919 to 1939, one was headed by the SDP; five by the KOK; six by the ML; and eight by the ED. On the average, there was thus one government a year, but this apparent parliamentary instability was balanced somewhat by the continuity provided by the office of president—in twenty years there were only four presidents.

Another major political party was the Communist Party of Finland (Suomen Kommunistinen Puolue—SKP), which was founded in August 1918 in Moscow by Finnish Reds who had fled to the Soviet Union at the close of the civil war. During the interwar period, the party was headed by Otto Kuusinen, a former minister in the Finnish Red government. Like much of the SKP leadership, he remained in exile in the Soviet Union, from where he directed the party's clandestine activities in Finland. The SKP attracted mainly left-wing militants and embittered survivors of the civil war. In the 1922 election, the SKP, acting under the front organization of the Finnish Socialist Workers' Party (Suomen Sosialistinen Työväenpuolue—SSTP), received 14.8 percent of the total vote and twenty-seven seats in parliament. The following year the SSTP was declared treasonous and was outlawed. As a result, the communists formed another front organization, and in 1929 they won 13.5 percent of the vote before being outlawed in 1930. Deprived of political access, the communists tried to use strikes to disrupt the country's economic life. They had so far infiltrated the SAJ by 1930 that politically moderate trade unionists formed an entirely new organization, the Confederation of Finnish Trade Unions (Suomen Ammattiyhdistysten Keskusliitto—SAK), which established itself solidly in the coming years.

*Väinö Tanner, a leader of the
Finnish Social Democratic Party
and prime minister, 1926-27
Courtesy Embassy of Finland,
Washington*



The competition between Finnish speakers and Swedish-speakers was defused by the Language Act of 1922, which declared both Finnish and Swedish to be official national languages. This law enabled the Swedish-speaking minority to survive in Finland, although in the course of the twentieth century the Swedish-speakers have been gradually Finnicized, declining from 11 percent of the population in the 1920s to about 6 percent in the 1980s. The unanimity with which both language groups fought together in World War II attested to the success of the national integration.

The enduring domestic political turmoil generated by the civil war led to the rise not only of a large communist party, but also to that of a large radical right-wing movement. The right wing consisted mainly of Finnish nationalists who were unhappy with the 1920 Treaty of Dorpat (Tartu) that had formally ended the conflict between the Soviet Union and Finland and recognized Soviet sovereignty over Eastern Karelia. The more extreme Finnish nationalists hoped for the establishment of a Greater Finland (Suur-Suomi) that would unite the Finnic peoples of Northern Europe within boundaries, running from the Gulf of Bothnia to the White Sea and from Estonia to the Arctic Ocean, that included Eastern Karelia. Eastern Karelia was the area, located roughly between Finland and the White Sea, that was inhabited by Finnic-speaking people who, centuries before, had been brought under Russian rule and had been converted to Eastern Orthodoxy (see The Era of

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Swedish Rule, this chapter). Since the nineteenth century, romantic Finnish nationalists had sought to reunite the Karelians with Finland.

The most prominent organization advancing the Greater Finland idea was the Academic Karelia Society (Akateeminen Karjala-Seura—AKS), which was founded in 1922 by Finnish students who had fought in Eastern Karelia against Soviet rule during the winter of 1921 to 1922. In the 1920s, the AKS became the dominant group among Finnish university students. Its members often retained their membership after their student days, and the AKS was strongly represented among civil servants, teachers, lawyers, physicians, and clergymen. Most Lutheran clergymen had been strongly pro-White during the civil war, and many of them were also active in the AKS and in the even more radical anticommunist Lapua movement. Thus the AKS created a worldview among an entire generation of educated Finns that was relentlessly anti-Soviet and expansionistic. (The Eastern Karelians were eventually assimilated into Russian culture through a deliberate Soviet policy of denationalization, aimed at removing any possibility of their being attracted to Finland.)

The military muscle for the right wing was provided by the Civil Guard. In the 1920s, the Civil Guard had a strength of about 100,000, and it received arms by parliamentary appropriation; however, Social Democrats, branded as leftists, were not welcome as members. Finally during World War II, the Civil Guard was integrated into the regular army, and peace was made with the Social Democrats. The Civil Guard included a women's auxiliary called Lotta Svärd after a female hero of the war of 1808 to 1809. This organization performed important support work, behind the lines during the civil war and later during World War II, thereby releasing many men for service on the front.

The apogee of right-wing nationalism was reached in the Lapua movement, from 1929 to 1932. The emergence of the SKP in the 1920s had contributed to a rightward trend in politics that became evident as early as 1925 when Lauri Kristian Relander, a right-wing Agrarian, was elected president. In November 1929, a rightist mob broke up a communist rally at Lapua, a conservative town in northern Finland. That event inspired a movement dedicated to extirpating communism from Finland by any means, legal or illegal, an imperative that was termed the "Law of Lapua."

Under pressure from the Lapua movement, parliament outlawed communism through a series of laws passed in 1930. Not content, however, the Lapuans embarked on a campaign of terror against communists and others that included beatings, kidnappings, and

murders. The Lapuans overreached themselves in 1930, however, when they kidnapped former president Ståhlberg, whom they disliked for his alleged softness toward communism. Public revulsion against that act ensured the eventual decline of the Lapua movement.

The final major political success of the Lapuans came in the election to the presidency in 1931 of the former White leader, Svinhufvud, who was sympathetic to them. In February 1932, the Lapuans began calling for a "Finnish Hitler," and in March 1932, they used armed force to take over the town of Mäntsälä, not far from Helsinki, in what appeared to be the first step toward a rightist coup. Members of the Civil Guard were prominent in this coup attempt. The Lapuans had, however, underestimated President Svinhufvud, who used the Finnish army to isolate the rebellion and to suppress it without bloodshed. The leaders of the Mäntsälä revolt were tried and were convicted, and, although they were given only nominal sentences, the Lapua movement was outlawed.

The last flowering of right-wing nationalism began the month after the Mäntsälä revolt, when a number of ex-Lapuans formed the Patriotic People's Movement (*Isänmaallinen Kansanliike*—IKL). Ideologically, the IKL, calling for a new system to replace parliamentary democracy, picked up where the Lapua movement had left off. Much more than had the Lapua movement, the IKL styled itself a fascist organization, and it borrowed the ideas and trappings of Italian fascism and of German Nazism. Unlike the Lapua movement, the IKL achieved scant respectability among middle-class Finns. A future president of Finland, Urho Kekkonen, who in 1938 was minister of interior, banned the IKL. Like the communists, however, the IKL demanded the protection of the Constitution that it sought to destroy, and the IKL persuaded the Finnish courts to lift the ban.

By the late 1930s, Finland appeared to have surmounted the threat from the extreme right and to have upheld parliamentary democracy. The White hero of the civil war, General Mannerheim, speaking in 1933 at the May 16 parade, called for national reconciliation with the words; "We need no longer ask where the other fellow was fifteen years ago [that is, during the civil war]." In 1937 President Svinhufvud was replaced by a more politically moderate Agrarian Party leader, Kyösti Kallio, who promoted national integration by helping to form a so-called Red-Earth government coalition that included Social Democrats, National Progressives, and Agrarians.

A final factor promoting political integration during the interwar years was the steady growth of material prosperity. The

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agricultural sector continued to be the backbone of the economy throughout this period; in 1938 well over half of the population was engaged in farming. The main problem with agriculture before 1918 had been tenancy: about three-quarters of the rural families cultivated land under lease arrangements. In order to integrate these tenant farmers more firmly into society, several laws were passed between 1918 and 1922. The most notable was the so-called Lex Kallio (Kallio Law, named after its main proponent, Kyösti Kallio) in 1922; by it, loans and other forms of assistance were provided to help landless farmers obtain farmland. As a result, about 150,000 new independent holdings were created between the wars, so that by 1937 almost 90 percent of the farms were held by independent owners and the problem of tenancy was largely solved. Agriculture was also modernized by the great expansion of a cooperative movement, in which farmers pooled their resources in order to provide such basic services as credit and marketing at reasonable cost. The growth of dairy farming provided Finland with valuable export products. In summary, the agricultural sector of the Finnish economy showed notable progress between the wars.

In addition, Finnish industry recovered quickly from the devastation caused by the civil war, and by 1922 the lumber, paper, pulp, and cellulose industries had returned to their prewar level of production. As before the war, the lumber industry still led the economy, and its success fueled progress in other sectors. By the Treaty of Dorpat in 1920, Finland had gained nickel deposits near the Arctic port of Petsamo. These deposits were the largest in Europe, and production began there in 1939. The success of Finnish products on the world market was indicated by the general rise in exports and by the surplus in the balance of payments. Finnish governments protected economic prosperity by following generally conservative fiscal policies and by avoiding the creation of large domestic deficits or foreign indebtedness.

In the 1920s and the 1930s, Finnish society moved toward greater social integration and progress, mirroring developments in the Nordic region as a whole. Social legislation included protection of child workers; protection of laborers against the dangers of the workplace; compulsory social insurance for accidents, disability, and old age; aid for mothers and young children; aid for the poor, the crippled, the alcoholic, and the mentally deficient; and housing aid. Finland reflected European trends also in the emancipation of women, who gained voting rights in 1906 and full legal equality under the Constitution in 1919. The 1920s and the 1930s witnessed a great increase in the number of women in the work force, including the professions and politics.

Although in many ways Finland was predominantly nationalist and introspective in spirit, it participated increasingly in the outside world, both economically and culturally, a trend that contributed to its gradual integration into the international community.

Finnish Security Policy Between the Wars

The first security policy issue Finland faced upon becoming independent concerned the Åland Islands. Settled by Swedes in about the sixth century A.D., the islands were administered as part of Finland as long as Finland was part of Sweden. In 1809 they were transferred to Russian sovereignty, where they remained until the Russian Revolution. Throughout this period, almost all of the inhabitants of the Åland Islands, the Ålanders, continued to be Swedish speakers. During the chaos of the Russian Revolution, the Ålanders began negotiations to be united with Sweden, a move that was later supported in a plebiscite by 96 percent of the islands' inhabitants. The Swedish government welcomed this move, and in February 1918 sent troops who disarmed the Russian forces and the Red Guards on the islands. The Finns felt that the Swedish intervention in the Åland Islands represented an unwarranted interference in the internal affairs of Finland. Tension rose as both countries claimed the islands, Sweden emphasizing the principle of national self-determination and Finland pointing to its historical rights and to the need to have the islands in order to defend Finland's southwestern coast. Germany then moved into the islands as part of its intervention in the civil war and forced out the Swedes; later that year, however, Germany handed the islands over to Finland. The Finns arrested the Åland separatist leaders on charges of treason. In 1920 both countries referred the matter to the League of Nations, which ruled the following year in favor of Finland. The Swedes were placated by the demilitarization of the islands as well as by the grant of extensive autonomy to the Ålanders, a settlement that still obtained in 1988.

Finland's interwar security policy was dominated by fear of an attack by the Soviet Union. Two of its priorities were to end the conflict between Finland and the Soviet Union—that had continued unofficially since the civil war—and to settle the Soviet-Finnish boundary. Negotiations were held intermittently between 1918 and 1920, leading in October 1920 to the signing of the Treaty of Dorpat. In it, Finland received all of the land it had held under Russian rule plus the Petsamo area, which gave Finland a port on the Arctic Ocean. At this point, Finland controlled more territory than it had at any other time in its history. The Soviet-Finnish border on the Karelian Isthmus was drawn only thirty kilometers from

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Leningrad (formerly St. Petersburg). The new border caused some Soviet apprehension because it placed the city and the vital naval base at Kronstadt within the range of the Finns' heavy artillery.

Finland's relations with the Soviet Union had been problematic from the beginning, because of the Finns' strong historical distrust for Russia and the inherent incompatibility of the two political systems. The Finns saw themselves as occupying an exposed outpost of Western civilization, an attitude that was well expressed in a poem by Uno Kailas that included the verse:

Like a chasm runs the border.
In front, Asia, the East;
In back, Europe, the West:
Like a sentry, I stand guard.

The mistrust between the countries had been strengthened by the tsarist policies of Russification, by the Bolsheviks' participation in the Finnish revolution, and by continued Soviet efforts to foster subversion in Finland. From the Soviet viewpoint, the Greater Finland agitation and the blossoming of ideological anticommunism in Finland posed a threat. In 1932 the Soviet Union and Finland signed a ten-year non-aggression pact, which, however, did not mitigate the mutual distrust—illustrated in part by the Soviets' cessation of all trade between the two countries in 1934—that was to culminate in war.

In dealing with the Soviet threat, Finland was unable to find effective outside help. The Finns sought assistance first from the other Baltic states, and in March 1922 an agreement was signed by Finland, Estonia, Latvia, and Poland. The Finns soon realized, however, that in a crisis no substantial help would be forthcoming from these countries, and they thereupon sought support through active membership in the League of Nations. The breakdown of collective security in the 1930s led the Finns to seek security through a collective neutrality with the other Nordic states, but that arrangement offered no effective counterweight to the Soviets. The more powerful Britain and France did not take a major interest in the Baltic area.

Throughout this period, the Finnish ruling circles had been strongly pro-German in outlook, in large part as a result of the civil war. For this reason, the Soviets developed the suspicion that Finland would allow Germany to use its territory as a base from which to invade the Soviet Union. Although Soviet fears were unfounded, the Finns did little to allay them. In 1937 a German

submarine flotilla visited Helsinki, and it was greeted warmly by the people and by the government. In April and in May 1938, the Finnish government presided over two great celebrations, marking the twentieth anniversary of the entry of German troops into Helsinki and of the entry of Mannerheim's forces into Helsinki, respectively, events that numerous prominent Germans attended. The Finns were also indiscreet in allowing a German naval squadron to visit Helsinki. Soviet suspicions were fuelled again by the visit to Finland in June 1939 of the German army chief of staff, General Franz Halder, who was received by the government in Helsinki and who viewed Finnish army maneuvers on the Karelian Isthmus. In summation, Finnish foreign policy between the wars was genuinely unaggressive in relation to the Soviet Union, but it lacked the appearance of unaggressiveness, a deficiency that Finland since World War II has been at pains to remedy.

With German help, Finland established regular armed forces in 1918 to 1919, using the army of the Whites as a foundation. Beginning in the 1920s, conscription was introduced, and most Finnish males were trained for military service. Finnish military doctrine presumed an essentially defensive war in which Finland's forests, lakes, and other geographical obstacles could be exploited to advantage. The Defense Review Committee, in its report of 1926, called for the establishment of a Finnish army of thirteen divisions, equipped with the most modern arms, as the surest means of deterring a possible Soviet invasion. Because of budget restraints, however, these recommendations were instituted only in part, so that when the Soviet Union did attack in November 1939, Finland had only nine available divisions, and their equipment was generally inadequate. Beginning in 1931, however, General Mannerheim had contributed ably to Finnish military preparations from his position as chairman of the Defense Council, and thousands of citizens spent the summer of 1939, without pay, strengthening the Mannerheim Line of fortifications on the Karelian Isthmus. The line later proved to be the anchor of Finland's defenses in this important area.

World War II, 1939-45

For most of Finland's history, the country had lived on the periphery of world events, but for a few weeks during the winter of 1939-40, Finland stood at the center of the world stage. Finland's stand against Soviet aggression aroused the world's admiration. The Winter War, however, proved to be only a curtain-raiser for Finland's growing entanglement in World War II.

The Winter War

The underlying cause of the Winter War was Soviet concern about Nazi Germany's expansionism. With a population of only 3.5 million, Finland itself was not a threat to the Soviet Union, but its territory, located strategically near Leningrad, could be used as a base by the Germans. The Soviets initiated negotiations with Finland that ran intermittently from the spring of 1938 to the summer of 1939, but nothing was achieved. Finnish assurances that the country would never allow German violations of its neutrality were not accepted by the Soviets, who asked for more concrete guarantees. In particular, the Soviets sought a base on the northern shore of the Gulf of Finland, from which they could block the Gulf of Finland from hostile naval forces. The Finnish government, however, felt that accepting these terms would only lead to further, increasingly unreasonable, demands.

The Nazi-Soviet Non-Aggression Pact of August 1939, by bringing together these former archenemies, revolutionized European politics. The secret protocol of the pact gave the Soviet Union a sphere of influence that included Finland, the Baltic states, and parts of Eastern Europe. When the Germans won a stunningly quick victory over Poland in September 1939, the Soviets hastened to take control in their sphere of influence. In addition to the land taken from Poland in September, the Soviets quickly turned the three Baltic states into quasi-protectorates. Finland followed these events closely; thus, when, on October 5, the Soviets invited Finland to discuss "concrete political questions," the Finns felt that they were next on the Soviets' agenda. Finland's first reaction was to mobilize its field army on October 6, and on October 10 Finland's reservists were called up in what amounted to a general mobilization. The following day the two countries began negotiations that were to last until November 8.

In the negotiations, the main Soviet demand was that the Finns cede small parcels of territory, including a naval base on the Gulf of Finland that the Soviets wanted to help them protect Leningrad. In exchange, the Soviets offered to cede to Finland about 8,800 square kilometers of Karelia along the Finnish border, or about twice the amount of land to be ceded by Finland. Unlike the previous negotiations, these talks were conducted in the public eye, and the Finnish people, like the government, were almost unanimous in rejecting the Soviet proposals. The ostensible reasons for Finland's refusal were to protect its neutral status and to preserve its territorial integrity. In addition, moving the Finnish border on the Karelian Isthmus away from Leningrad would have given the



Finnish machine gunners during the Winter War (1939-40)
Courtesy Embassy of Finland, Washington

Soviets possession of much of the line of Finnish fortifications, the loss of which would have weakened Finland's defenses. Underlying the hardline Finnish negotiating position were a basic mistrust of the Soviets and a feeling that the Soviet offer was merely a first step in subjugating Finland. In this suspicion of an ulterior motive, the Finns were matched by the Soviets, who believed that Finland would willingly assist Germany in a future war.

The Finnish government appears to have underestimated the Soviet determination to achieve these national security goals. The two main Finnish negotiators, Väinö Tanner and Juho Paasikivi, vainly urged the Finnish government to make more concessions, because they realized that Finland was completely isolated diplomatically and could expect no support from any quarter if events led to war. General Mannerheim also urged conciliating the Soviets, because Finland by itself could not fight the Soviet Union. When he was ignored, he resigned from the Defense Council and as commander-in-chief, saying that he could no longer be responsible for events. Mannerheim withdrew his resignation when war broke out, however, and served ably as the Finnish military leader. Some historians suggest that the war could have been prevented by timely Finnish concessions. It appears that both sides proceeded from a basic mistrust of the other that was compounded by mutual miscalculations and by the willingness to risk war.

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The Soviets attacked on November 30, 1939, without a declaration of war. The Soviet preparations for the offensive were not especially thorough, in part because they underestimated the Finnish capabilities for resistance, and in part because they believed that the Finnish workers would welcome the Soviets as liberators. However, almost no Finns supported the Soviet puppet government under the veteran communist Otto Kuusinen. In addition, in one of its last significant acts, the League of Nations expelled the Soviet Union because of its unprovoked aggression against Finland.

The task facing the Finnish armed forces, to obstruct a vastly larger enemy along a boundary of about 1,300 kilometers, appeared impossible. Geography aided the Finns, however, because much of the northern area was a virtually impassable wilderness containing a few, easily blocked roads, and Finland generally presented difficult terrain on which to conduct offensive operations. Thus the Finns were able to use only light covering forces in the north and to concentrate most troops in the crucial southeastern sector, comprising the Karelian Isthmus and the area north of Lake Ladoga, that protected the isthmus from rear assault. The position on the isthmus was strengthened considerably by the Mannerheim Line. An additional Finnish advantage lay in the Finns' unorthodox military doctrine. They were trained in the use of small, mobile forces to strike at the flanks and the rear of road-bound enemies. By means of the so-call *motti* tactic (the name is taken from the Finnish word for a cord of firewood), they sought to break invading columns into small segments, which were then destroyed piecemeal. The final advantage of the Finns was their phenomenally high morale; they knew they were fighting for their national survival. Finland's main disadvantage lay in the glaring, fifty-to-one disparity between its population and that of the Soviet Union. The Finnish hope was to hold out until help could arrive from the West, a forlorn hope as events turned out.

Most observers expected an easy Soviet victory. The Soviets simply advanced all along the front with overwhelming forces, apparently intending to occupy all of Finland. Thanks to the foresight the Soviets had shown in previous years by constructing bases and railroads near the Finnish border, they were able to commit much larger forces than the Finns had anticipated. The main Soviet assault on the Mannerheim Line was stopped, though, in December 1939. Farther north along the line, the Finns were able to employ their *motti* tactics with surprising effectiveness. At the most famous of these engagements, the Battle of Suomussalmi, two Soviet divisions were virtually annihilated. By the end of December 1939,

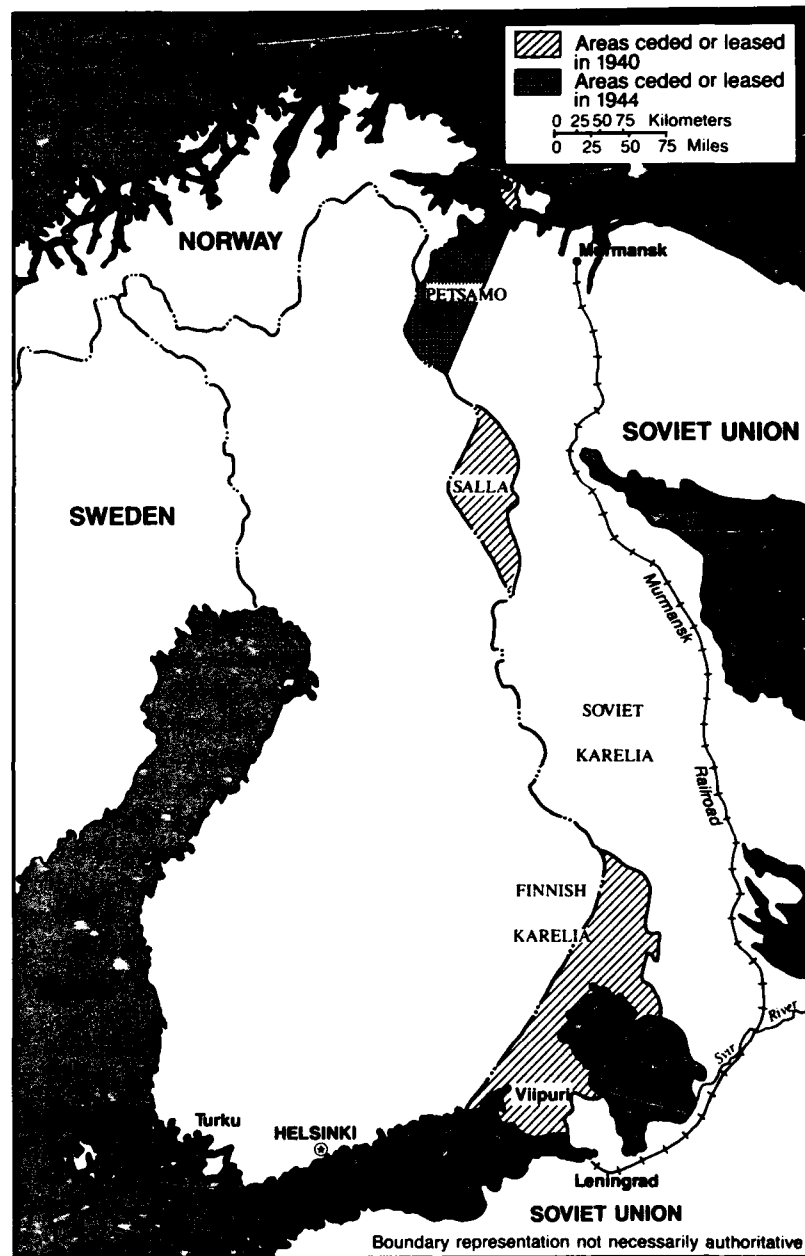
the Finns had dealt the Soviets a series of humiliating defeats. For a few weeks, the popular imagination of the outside world was captured by the exploits of the white-clad Finnish ski troops gliding ghostlike through the dark winter forests, and in general by the brave resistance of the "land of heroes."

The Soviet invasion brought the Finns together as never before. In an act that only a few years before would have been unthinkable, on Christmas Eve in December 1939, middle-class Finns placed lighted candles on the graves of Finnish Red Guards who had died in the civil war. The magnificent courage displayed by Finnish soldiers of all political persuasions during the Winter War of 1939-40 led Mannerheim to declare afterwards that May 16 would no longer be celebrated, but that another day would be chosen to commemorate "those on both sides who gave their lives on behalf of their political convictions during the period of crisis in 1918."

The defeats and the humiliations suffered by the Soviet Union made it even more determined to win the struggle. The military command was reorganized, and it was placed under General S. K. Timoshenko. The Soviets made intensive preparations for a new offensive, assembling masses of tanks, artillery, and first-class troops. On February 1, 1940, the Soviet offensive began, and this time it was confined to the Karelian Isthmus. Soviet tactics were simple: powerful artillery bombardments were followed by repeated frontal assaults, using masses of tanks and infantry. The Finnish defenders were worn down by the continual attacks, the artillery and the aerial bombardments, the cold, and the lack of relief and of replacements. On February 11, 1940, the Soviets achieved a breakthrough in the Mannerheim Line that led to a series of Finnish retreats. By early March, the Finnish army was on the verge of total collapse. Finland was saved only by agreeing quickly to Soviet terms, which were encompassed in the Peace of Moscow, signed on March 13, 1940.

By the terms of the Peace of Moscow, Finland ceded substantial territories: land along the southeastern border approximately to the line drawn by the Peace of Uusikaupunki in 1721, including Finland's second-largest city, Viipuri; the islands in the Gulf of Finland that were the object of the negotiations in 1938-39; land in the Salla sector in northeastern Finland (near the Murmansk Railroad); Finland's share of the Rybachiy Peninsula in the Petsamo area; and the naval base at Hanko on the Gulf of Finland, which was leased for thirty years. The ceded territories contained about one-eighth of Finland's population; virtually all of the inhabitants moved over to Finnish territory, thereby losing their homes and livelihoods (see fig. 7).

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Source: Based on information from Anthony F. Upton, *Finland in Crisis, 1940-41: A Study in Small-Power Politics*, London, 1964, 22; and D. G. Kirby, *Finland in the Twentieth Century*, Minneapolis, 1979, x.

Figure 7. Finland, Adjustments to the Frontier, 1940-1944

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Finland's losses in the war were about 25,000 dead, 10,000 permanently disabled, and another 35,000 wounded, out of a population of only 3.5 million. Estimates of Soviet losses vary greatly. A subsequent Soviet leader, Nikita Khrushchev, estimated in his memoirs that the Soviet losses were about one million men. In addition, the Soviets lost much of their military credibility. Foreigners had observed keenly the performance of the Red Army in Finland, with the result that the military capabilities of the Soviet Union were widely discounted. Four months after the conclusion of the Winter War, Adolf Hitler decided to invade the Soviet Union, an event that historians generally consider a turning point of World War II.

It is true that the Red Army had performed badly in Finland, but there had been some extenuating circumstances. The winter of 1939 to 1940 was one of the coldest winters of the century, and the Soviet troops were not trained for action under Arctic conditions. The Soviet officer corps had been decimated by the purges of the 1930s, and the officers were intimidated by the presence of political commissars within their units. There was, especially in the first phase of the fighting, poor coordination of the various arms (infantry, artillery, armor, aircraft), and there were deficiencies in preparation and in intelligence. In the year following the Winter War, the Soviets worked hard at correcting their weaknesses, with the result that in 1941 the Red Army was a much more effective military machine.

The Continuation War

The sudden admission of defeat by the Finnish government shocked the Finnish people, who had been misled by overly optimistic government reports on the military situation; however, the resilience of democratic society helped the people to absorb defeat without undergoing radical change. Instead, the Finns threw themselves into two major tasks: absorbing the 400,000 refugees from the ceded territories, and rearming.

In the succeeding months, Soviet meddling in Finnish affairs and other overbearing actions indicated to the Finns a continuing Soviet desire to subjugate Finland. Among other actions, the Soviets demanded the demilitarization of the Åland Islands (not called for by the Peace of Moscow), control of the Petsamo nickel mines, and the expulsion of Väinö Tanner from the Finnish government. More ominously, the Soviets demanded to send an unlimited number of troop trains through Finnish territory to the Soviet base at Hanko. This event having occurred near the time that the Soviets annexed the Baltic states in 1940, the Finns began to fear that they would

be next. When Soviet foreign minister Viacheslav Molotov visited Berlin later that year, he admitted privately to his German hosts that the Soviets intended to crush Finland. The Finnish-Soviet Peace and Friendship Society (Suomen-Neuvostoliiton rauhan ja ystävyyden seura—SNS), a communist-front organization that quickly gained 35,000 Finnish members, conducted subversive activities in open defiance of the Finnish government. The SNS was banned in August, thus preserving public order, but on other matters of concern to the Soviets the Finnish government was forced to make concessions. Unknown to the Soviets, however, the Finns had made an agreement with Germany in August 1940 that had stiffened their resolve.

Hitler soon saw the value of Finland as a staging base for his forthcoming invasion of the Soviet Union. The informal German-Finnish agreement of August 1940 was formalized in September, and it allowed Germany the right to send its troops by railroad through Finland, ostensibly to facilitate Germany's reinforcement of its forces in northern Norway. A further German-Finnish agreement in December 1940 led to the stationing of German troops in Finland, and in the coming months they arrived in increasing numbers. Although the Finnish people knew only the barest details of the agreements with Germany, they approved generally of the pro-German policy, and they were virtually unanimous in wanting to recover the ceded territories.

By the spring of 1941, the Finnish military had joined the German military in planning for the invasion of Russia. In mid-June the Finnish armed forces were mobilized. It was not politically expedient for the Finnish government to appear as the aggressor, however, so Finland at first took no part in the Nazi invasion of the Soviet Union on June 22. Three days later, Soviet aerial attacks against Finland gave the Finnish government the pretext needed to open hostilities, and war was declared on June 26. Finland thus appeared to be defending itself against an act of Soviet aggression, a posture that helped unite the Finnish people for the war effort.

The Finns called this conflict the Continuation War, because it was seen as a continuation of events that began with the Winter War. What began as a defensive strategy, designed to provide a German counterweight to Soviet pressure, ended as an offensive strategy, aimed at invading the Soviet Union. The Finns had been lured by the prospects of regaining their lost territories and ridding themselves of the Soviet threat. In July 1941, the Finnish army began a major offensive on the Karelian Isthmus and north of Lake Ladoga, and by the end of August 1941, Finnish troops had reached the prewar boundaries. By December 1941, the Finnish advance

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had reached the outskirts of Leningrad and the Svir River (which connects the southern ends of Lake Ladoga and Lake Onega). By the end of 1941, the front became stabilized, and the Finns did not conduct major offensive operations for the following two and one-half years.

Finland's participation in the war brought major benefits to Germany. First, the Soviet fleet was blockaded in the Gulf of Finland, so that the Baltic was freed for training German submarine crews as well as for German shipping activities, especially the shipping of vital iron ore from northern Sweden and nickel from the Petsamo area. Second, the sixteen Finnish divisions tied down Soviet troops, put pressure on Leningrad, and cut one branch of the Murmansk Railroad. Third, Sweden was further isolated and was forced to comply with German wishes.

Despite Finland's contributions to the German cause, the Western Allies had ambivalent feelings, torn between their residual goodwill for Finland and the need to support their vital ally, the Soviet Union. As a result, Britain declared war against Finland, but the United States did not; there were no hostilities between these countries and Finland. In the United States, Finland was highly regarded, because it had continued to make payments on its World War I debt faithfully throughout the interwar period. Finland also earned respect in the West for its refusal to allow the extension of Nazi anti-Semitic practices in Finland. Jews were not only tolerated in Finland, but Jewish refugees also were allowed asylum there. In a strange paradox, Finnish Jews fought in the Finnish army on the side of Hitler.

Finland began to seek a way out of the war after the disastrous German defeat at Stalingrad in January-February 1943. Negotiations were conducted intermittently between Finland on the one side and the Western Allies and the Soviet Union on the other, from 1943 to 1944, but no agreement was reached. As a result, in June 1944 the Soviets opened a powerful offensive against Finnish positions on the Karelian Isthmus and in the Lake Ladoga area. On the second day of the offensive, the Soviet forces broke through Finnish lines, and in the succeeding days they made advances that appeared to threaten the survival of Finland. The Finns were equal to the crisis, however, and with some German assistance, halted the Russians in early July, after a retreat of about one hundred kilometers that brought them to approximately the 1940 boundary. Finland had been a sideshow for the Soviets, however, and they then turned their attention to Poland and to the Balkans. Although the Finnish front was once again stabilized, the Finns were exhausted, and they needed desperately to get out

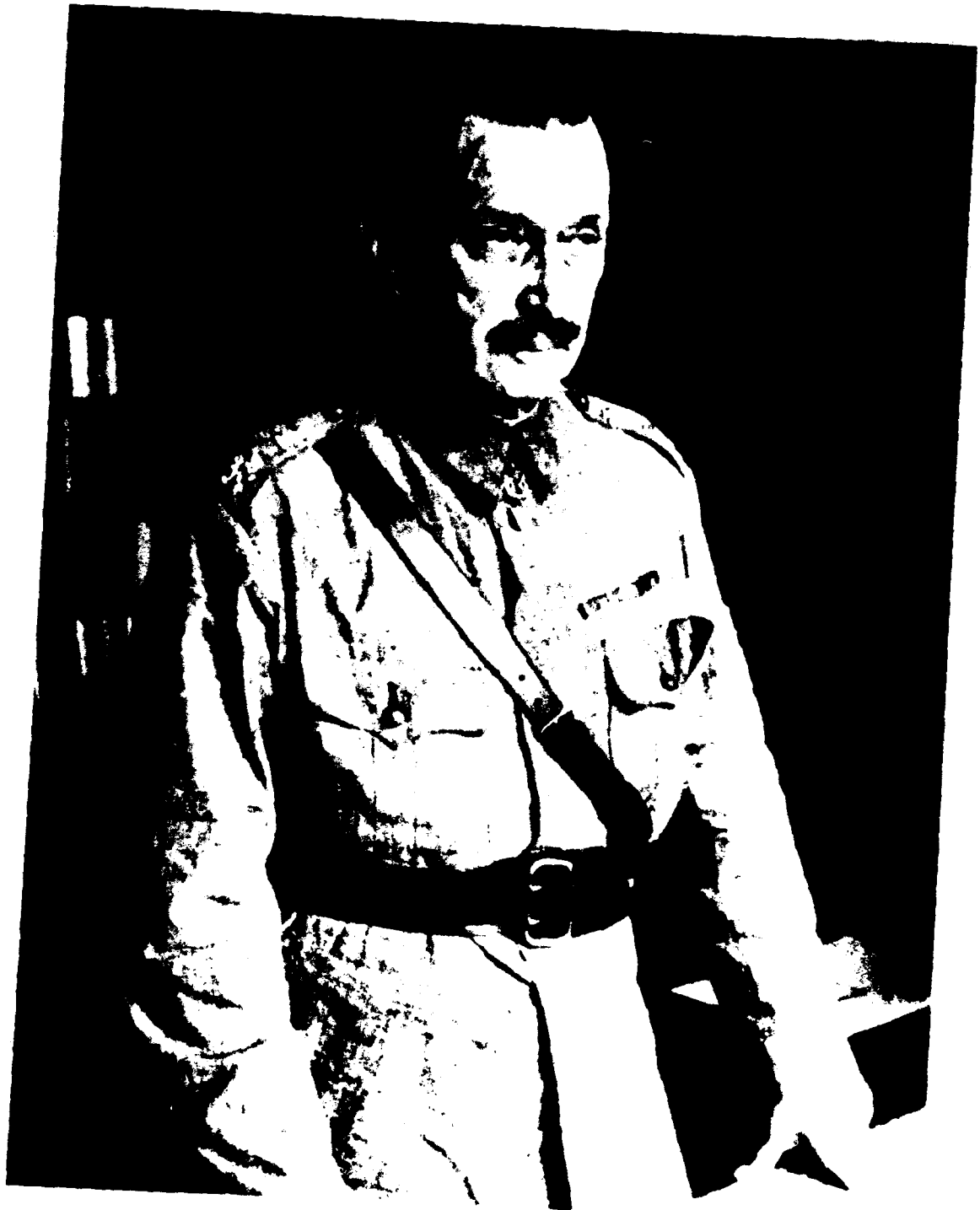
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of the war. Finland's military leader and national hero, Gustaf Mannerheim, became president, and he accepted responsibility for ending the war.

In September 1944, a preliminary peace agreement was signed in Moscow between the Soviet Union and Finland. Its major terms severely limited Finnish sovereignty. The borders of 1940 were reestablished, except for the Petsamo area, which was ceded to the Soviet Union. Finland was forced to expel all German troops from its territory. The Porkkala Peninsula (southwest of Helsinki) was leased to the Soviets for fifty years, and the Soviets were given transit rights to it. Various rightist organizations were abolished, including the Civil Guard, Lotta Svärd, the Patriotic People's Movement, and the Academic Karelia Society. The Communist Party of Finland (Suomen Kommunistinen Puolue—SKP) was allowed legal status. The size of the Finnish armed forces was restricted. Finland agreed to pay reparations to the Soviet Union. Finland agreed to hold war crimes trials. Finally, an Allied Control Commission, which was dominated by the Soviets, was established to check Finland's adherence to the terms of the preliminary peace. This preliminary peace treaty remained in effect until 1947, when the final Soviet-Finnish peace treaty was signed. Although Finland had been defeated for a second time, it had managed to avoid occupation by the Soviets.

The Lapland War

As early as the summer of 1943, the German high command began making plans for the eventuality that Finland might conclude a separate peace with the Soviet Union. The Germans planned to withdraw forces northward in order to shield the nickel mines near Petsamo. During the winter of 1943 to 1944, the Germans improved the roads from northern Norway to northern Finland, and they accumulated stores in that region. Thus the Germans were ready in September 1944, when Finland made peace with the Soviet Union. While German ground troops withdrew northward, the German navy mined the seaward approaches to Finland and attempted to seize Suursaari Island in the Gulf of Finland. Fighting broke out between German and Finnish forces even before the Soviet-Finnish preliminary peace treaty was signed, and the fighting intensified thereafter, as the Finns sought to comply with the Soviet demand that all German troops be expelled from Finland. The Finns were thus placed in a situation similar to that of the Italians and of the Romanians, who, after surrendering to the Allies, had to fight to free their lands of German forces. The Finns' task was complicated by the Soviet stipulation that the Finnish armed forces



*Marshal Gustaf Mannerheim, 1941
Courtesy Embassy of Finland,
Washington*

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be reduced drastically, even during the campaign against the Germans.

The capable Finnish general, Hjalmar Siilasvuo, the victor of Suomussalmi, led operations against the Germans; in October and November 1944, he drove them out of most of northern Finland. The German forces under General Lothar Rendulic took their revenge, however, by devastating large stretches of northern Finland. More than one-third of the dwellings in that area were destroyed, and the provincial capital of Rovaniemi was burned down. In addition to the property losses, estimated as equivalent to about US\$300 million (in 1945 dollars), suffered in northern Finland, about 100,000 inhabitants became refugees, a situation that added to the problems of postwar reconstruction. (After the war the Allies convicted Rendulic of war crimes, and they sentenced him to twenty years in prison.) The last German troops were expelled in April 1945. As a final, lingering effect of the Lapland War, the Germans planted numerous mines during their retreat; some of the mines were so cleverly placed that they continued to kill and maim civilians who triggered them as late as 1948.

The Effects of the War

World War II had a profound impact on Finland. Approximately 86,000 Finns died in the war—about three times the losses suffered during the civil war. In addition, about 57,000 Finns were permanently disabled, and the vast majority of the dead and the disabled were young men in their most productive years. The war had also left 24,000 war widows; 50,000 orphans; and 15,000 elderly, who had lost, in the deaths of their sons, their means of support. In addition, about one-eighth of the prewar area of Finland was lost, including the Petsamo area with its valuable nickel mines. One-half million Finns were refugees—more than 400,000 from the ceded or leased territories and about 100,000 from Lapland, where their homes had been destroyed. Another effect of the war was the financial burden imposed by the cost of maintaining one-half million troops in the field for several years and by the requirement to pay the Soviets reparations in kind worth US\$300 million (in 1938 dollars). The Soviet lease of the Porkkala Peninsula, less than twenty kilometers west of Helsinki, as a military base was a blot on the nation's sovereignty. Finally, an intangible, but real, restriction was placed on Finland's freedom of action in international affairs. Finland's relationship with the Soviet Union was permanently altered by the war.

Despite the great losses inflicted by the war, Finland fought for and preserved its independence; nevertheless, had the Soviets been

vitality concerned about Finland, there is no doubt that Finnish independence would have been extinguished. Finland emerged from the war conscious of these realities and determined to establish a new and constructive relationship with the Soviet Union.

The Postwar Era

The signing of the preliminary peace treaty between Finland and the Soviet Union on September 19, 1944, marked the beginning of a new era for Finland. Its hallmark was to be a diametrical change in Finnish policy toward the Soviet Union; the traditional hostility was to be replaced by a policy of friendship. Finnish leaders felt that only a genuine rapprochement between the two countries could guarantee Finland's long-term survival as an independent state. In the late 1980s, the new policy, operative for more than forty years, appeared to have been successful in preserving Finland's freedom. Domestically, Finland's society and economy have undergone rapid changes that have made the country a prosperous social-welfare state. Finland's achievements in the postwar years have been surviving external threats and thriving as a modern industrialized country.

The Cold War and the Treaty of 1948

The Finnish statesman Juho Kusti Paasikivi was a leading proponent of the relationship between Finland and the Soviet Union that permitted Finland's postwar development. For decades, Paasikivi had been the leading noncommunist Finn advocating reconciliation with the Soviet Union. Before World War I, he had been on Old Finn and a Compliant (see *The Era of Russification*, this ch.), who advocated accommodation with Russification. In the negotiations over the Treaty of Dorpat in 1920, he had argued for drawing Finland's border farther away from Leningrad. In the fall of 1939, he had recommended giving in to some of the Soviet demands, because he considered the ensuing war avoidable. He had also opposed Finland's entry into the Continuation War. As a former prime minister under the Finnish White government of 1918 and as a member of the Conservative National Coalition Party (*Kansallinen Kokoomuspuolue—KOK*), Paasikivi was politically an anticommunist. His lifelong study of history, however, convinced him that Finland's policies toward the Soviet Union needed to be governed by pragmatism. By late 1944, Finland's previous policy of antagonism to the Soviet Union had been shown to be counterproductive, because it had nearly led to Finland's extinction as an independent state. Summoned out of private life to serve—first as prime minister from October 1944 to March 1946 and then as

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president from March 1946 to March 1956—Paasikivi established the policy of accommodation with the Soviet Union that, with time, became almost universally accepted among the Finns. The change in Finland's policy was so marked that some observers considered the post-1944 years to be the era of the "Second Republic."

The immediate postwar years of 1944 to 1948 were filled with uncertainty for Finland because it was in a weakened condition and the because new policy of reconciliation was still being formed. The Allied Control Commission, established by the 1944 armistice to oversee Finland's internal affairs until the final peace treaty was concluded in 1947, was dominated by the Soviets. Under the leadership of a Soviet, Marshal Andrei Zhdanov, the commission checked Finland's adherence to the terms of the preliminary peace of September 1944. The first test of Finland's new policy of reconciliation was thus to observe faithfully the treaty with the Soviets, including the punctual payment of reparations and the establishment of war crimes trials. Eight leading Finnish politicians were tried for war crimes in proceedings lasting from November 1945 to February 1946. Among the accused were ex-president Risto Ryti (served 1940-44), who, along with six other prominent Finnish politicians, was convicted of plotting aggressive war against the Soviet Union and was sentenced to prison.

The war crimes trials and other stipulations of the armistice were distasteful to the Finns, but their careful compliance led to the reestablishment of national sovereignty. Compliance may have been facilitated by Finland's having its national hero, Mannerheim, as president to carry out these policies, until he resigned for health reasons in March 1946 and was succeeded by Paasikivi. The signing of the Treaty of Paris on February 10, 1947, led in September 1947 to the removal of the Allied Control Commission.

In their strict fulfillment of the Soviet terms of peace, the Finns faced other difficulties. The armistice agreement of September 1944 had legalized the SKP, which had been outlawed in 1930. In October 1944, the SKP led in the formation of the Finnish People's Democratic League (Suomen Kansan Demokraattinen Liitto—SKDL). Commonly referred to as the People's Democrats, the SKDL claimed to represent a broad spectrum of progressive forces. From its inception, however, the SKDL has been dominated by the SKP and has provided the electoral vehicle by which members of the SKP have been sent to the Eduskunta.

In March 1945, in the first parliamentary elections held after the war, the SKDL scored a major success by winning fifty-one seats and becoming the largest single party in the Eduskunta (the ML had forty-nine and the SDP had forty-eight). Several factors

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account for the success of the communists. A strong sympathy for communism among a large number of voters had persisted since the Finnish civil war. In addition, many Social Democratic voters were alienated from the SDP because of its ardent support of the recent war that had cost Finland so dearly. Many Finns who suffered under the depressed economic conditions of postwar Finland voted for the SKDL as a protest gesture. Finally, the SKDL proved adept at electoral politics, de-emphasizing its communist ties and emphasizing its devotion to democracy, to full employment, and to a peaceful foreign policy.

The SKDL played a large role in Finnish politics during the immediate postwar years. By November 1944, President Mannerheim recognized the growing power of the communists when he appointed to the cabinet the first communist, Yrjö Leino, ever to hold such a position. Following the election of March 1945, Leino was appointed to the important post of minister of interior, a position from which he controlled, among other things, the state security police and a large mobile police detachment. The power of the communists was at its greatest from 1946 to 1948, when the SKDL held, or shared, as many as eight of twelve cabinet posts. These included that of prime minister, which was held by Mauno Pekkala, who also served as co-minister of defense.

Pressures on Finland reached a peak in early 1948. In February the communists took Czechoslovakia by coup, an act that heightened international tensions considerably. The Soviets then requested that Finland sign a treaty nearly identical to those forced on some of their satellite states in Eastern Europe. By March there were rumors of a possible communist coup in Finland. Although it is not clear that a coup was imminent, President Paasikivi took precautionary measures. The Finnish armed forces were under his control, and he summoned them in strength to Helsinki, where they would have proved more than a match for the police units of the ministry of interior that were suspected of involvement in the coup.

In negotiating the requested treaty, meanwhile, the Soviets showed a willingness to accept a neutralized Finland. Paasikivi secured significant changes in the treaty that gave Finland substantially more independence with respect to the Soviet Union than was enjoyed by the East European states under Soviet domination. Paasikivi had served notice on the Soviets that they would not get their way through pressure, but rather would have to use military force. This they were reluctant to do in the tense international atmosphere of early 1948.

The Treaty of Friendship, Cooperation, and Mutual Assistance (FCMA—see Appendix B), which was signed on April 6, 1948,

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has since then provided the foundation for Soviet-Finnish relations. The key provision of the treaty, in Article 1, calls for military cooperation between Finland and the Soviet Union if Germany, or a country allied with it, attempts to invade Finland or the Soviet Union by way of Finnish territory. Article 2 of the treaty calls for military consultations to precede actual cooperation. Finland's sovereignty is safeguarded, however, because mutual assistance is not automatic but must be negotiated. The treaty helped to stabilize Soviet-Finnish relations by giving the Soviet Union guarantees that it would not face a military threat from the direction of Finland. The Soviets have been pleased with the treaty, and before expiration its original ten-year term has been extended to twenty years on three occasions—1955, 1970, and 1983.

When new elections were held in July 1948, the SKDL suffered a sharp drop in support, falling from fifty-one to thirty-eight seats in the Eduskunta. Communists were not included in the new government formed under the Social Democrat Karl-August Fagerholm, and there was no communist participation in Finland's government again until 1966.

The end of World War II had found Finland in a thoroughly weakened state economically. In addition to its human and physical losses, Finland had to deal with more than 400,000 refugees from the territories seized by the Soviets. In an attempt to resolve the refugee problem through a program of resettlement, the parliament adopted the Land Act of 1945. Through the program thus established, the state bought up farmland through compulsory purchases and redistributed it to refugees and to ex-servicemen, creating in the process 142,000 new holdings. Finland's large class of independent farmers was thereby expanded considerably. Although many of the resulting holdings were too small to be economically viable, they speeded the integration of the refugees into the social and economic fabric of the country.

Reparations were another burden for Finland. From the failure of the reparations demands imposed by the Treaty of Versailles, the Soviets had drawn the lesson that, to be effective, reparations should take the form of deliveries of goods in kind, rather than of financial payments. As a result, the Finns were obligated to make deliveries of products, mainly machine goods, cable products, merchant ships, paper, wood pulp, and other wood products. About one-third of the goods included as reparations came from Finland's traditionally strong forest industries, and the remainder came from the shipbuilding and the metallurgical industries, which were as yet only partially developed in Finland. The reparations paid from 1944 to 1952 amounted to an annual average of more than 2

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percent of Finland's gross national product (GNP—see Glossary). The reparations were delivered according to a strict schedule, with penalties for late shipments. As the earnestness of the Finns in complying with the Soviet demands became apparent, the Soviets relented somewhat by extending the payment deadline from 1950 to 1952, but they still prevented Finland from participating in the Marshall Plan (European Recovery Program). The United States played an important role, nonetheless, by mediating the extension of financial credits of more than US\$100 million from its Export-Import Bank to help Finland rebuild its economy and meet its reparations obligations punctually.

The Finns turned adversity into advantage by using the industrial capacities created to meet the reparations obligations as the basis for thriving export trades in those products. As a result, Finland's industrial base acquired greater balance than before, between, on the one hand, Finland's traditional industries of lumber, wood pulp, and paper products, and, on the other hand, the relatively new industries of shipbuilding and machine production. Finland's growing integration into the world economy was demonstrated by its joining the General Agreement on Tariffs and Trade (GATT—see Glossary) in 1949.

Domestic Developments and Foreign Politics, 1948–66

The underlying assumption of Paasikivi's foreign policy was that the Soviets could tolerate the existence of an independent Finland only because Finland was peripheral to the Soviet Union's main strategic interests in Central Europe. Paasikivi sought to reinforce that Soviet attitude by actively demonstrating that Finland would never again be a source of danger to the Soviet Union. The combination of traditional neutrality plus friendly measures toward the Soviets was known as the Paasikivi Line. Continued by Paasikivi's successor as president, Urho Kekkonen (in office 1956–81), the policy came to be known as the so-called Paasikivi-Kekkonen Line. It remained the foundation of Finland's foreign policy in the late 1980s.

Paasikivi's statesmanship was rewarded in 1955, when the Soviet Union returned the Porkkala Peninsula to Finland, well before the end of the fifty-year lease granted in 1944. The return of Porkkala ended the stationing of Soviet troops on Finnish soil, and it strengthened Finland's claim to neutrality. The Soviets also allowed Finland to take a more active part on the international scene. In December 1955, Finland was admitted to the United Nations (UN); in that same year Finland joined the Nordic Council (see Foreign Relations, ch. 4).

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In the three parliamentary elections held during Paasikivi's presidency—those of 1948, 1951, and 1954—the SDP and the ML received the largest number of votes and provided the basis for several of the government coalitions. These so-called Red-Earth coalitions revived the prewar cooperation between these parties and laid the basis for their subsequent cooperation, which was a major feature of Finnish politics after World War II. The communist-dominated SKDL retained some power because of domestic discontent; in the elections of 1951 and 1954, it won more than 20 percent of the vote.

Domestic politics during Paasikivi's presidency were characterized by conflict and instability. During those ten years, 1946 to 1956, there were nine government coalitions, nearly one per year. The issues that divided the parties and brought such frequent changes of government were primarily economic, centering on the rising cost of living. One early attempt to solve conflicts among the various sectors of the economy was the so-called General Agreement made in 1946 between the Confederation of Finnish Trade Unions (Suomen Ammattiyhdistysten Keskusliitto—SAK) and the Confederation of Finnish Employers (Suomen Työnantajain Keskusliitto—STK). The General Agreement, which called for compulsory negotiations between labor and management, was used as a basis for reconciling industrial disputes. Another milestone was the Castle Peace Agreement of 1951 that brought together the main economic interest groups for a wage and price freeze that helped to establish a precedent for wage and price control. Nevertheless, throughout these years there were frequent strikes.

The intensity of the conflict over economic issues was demonstrated by the general strike of 1956, the first general strike in Finland since November 1917. The cause of the nineteen-day general strike was an increase in food prices for which the trade unions demanded a wage increase as compensation. When the employers refused the wage increase, the trade unions called the general strike. More than 400,000 workers—about one-fifth of the total work force—participated, the flow of various vital supplies was disrupted, and some violence occurred. The strike ended when the employers agreed to the wage increases demanded by the unions. These wage increases, however, were largely cancelled out by subsequent rises in consumer prices.

Paasikivi's successor, Kekkonen, assumed office in March 1956, and he remained as president until 1981. A member of the ML, he had been one of only three members of the parliament who voted against the Peace of Moscow in 1940. The following year, he had been one of the most outspoken advocates of the Continuation War.

*Juho Kusti Paasikivi
president of Finland, 1946-56
Courtesy Embassy of Finland,
Washington*



*Urho Kekkonen, president
of Finland, 1956-81
Courtesy Embassy of Finland,
Washington*



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By 1943, however, he had reversed himself totally in calling for reconciliation between Finland and the Soviet Union, and he remained a leading advocate of that policy for the remainder of his life. From 1944 to 1946, he served as minister of justice, a position from which he prosecuted Finnish war criminals. Between 1950 and 1956, he served as prime minister in five cabinets, before being elected president in 1956.

Kekkonen demonstrated his mastery of politics by bringing Finland successfully through two major crises with the Soviet Union, the first in 1958 to 1959 (the Night Frost Crisis) and the second in 1961 (the Note Crisis). The Night Frost Crisis received its name from the Soviet leader, Nikita Khrushchev, who declared that Soviet-Finnish relations had undergone a "night frost." The immediate origins of the crisis lay in Finnish elections of 1958, in which the SKDL won the largest popular vote and the largest parliamentary representation of all Finnish parties but was not given a place in the Finnish government headed by the Social Democrat, Fagerholm. As a result, the Soviets recalled their ambassador from Helsinki and generally made known their unhappiness with the Fagerholm government.

Two reasons are generally brought forward for this instance of Soviet interference in Finland's domestic politics. One was the Soviet dislike of certain Social Democrats, whom they referred to as "Tannerites," after the long-time leader of the SDP, Väinö Tanner. The second reason may have been the international crisis of the late 1950s that centered on West Berlin. Underlying the Soviet actions was the traditional fear of a German resurgence; the Soviets imagined a renewed German military threat's developing through Germany's North Atlantic Treaty Organization (NATO) partners, Denmark and Norway.

Kekkonen defused the crisis by pulling the ML out of the government coalition, thereby toppling the SDP government that was objectionable to the Soviets. The alacrity with which Kekkonen placated the Soviets resolved the crisis.

The Note Crisis of 1961, far more serious than the 1958 crisis, constituted the most severe strain in Soviet-Finnish relations since 1948. On October 30, 1961, the Soviet government sent a note to Finland that called for mutual military consultations according to Article 2 of the 1948 FCMA treaty. For Finland, the note represented a real threat of Soviet military intervention. As during the 1958 crisis, a tense international situation coupled with Soviet fears of a German military resurgence led to Soviet pressure on Finland. There was also a domestic side to the crisis; as in 1958, the Soviets considered certain elements on the Finnish

political scene to be objectionable. The Soviets were concerned about the SDP, especially about the SDP nominee for president, Olavi Honka. Delivered only two and one-half months before the Finnish presidential elections, the Soviet note demonstrated clearly which candidate the Soviets preferred. In response to the note, Kekkonen sought to placate Soviet fears by dissolving the Finnish parliament in November 1961. He then flew to Novosibirsk, where he met with Khrushchev and, after three days of personal consultations, succeeded in winning Khrushchev's confidence to such a degree that the call for military consultations was rescinded. The Note Crisis not only constituted a personal diplomatic triumph for Kekkonen but also led to an era of increased confidence-building measures between the two governments.

For Kekkonen, the lesson of the Note Crisis was that the Soviets needed continual reassurance of Finnish neutrality. He pointed out that Soviet mistrust of Finnish declarations of neutrality in the 1930s had led to war. After 1961, the Finns took great pains to demonstrate their neutrality and to prevent a repetition of the Note Crisis. The effort to win the trust of the Soviets led Kekkonen in two directions—expanded trade and cultural contacts between the two countries and a more active international political role in which Finland worked to promote peace in Northern Europe and around the world.

Kekkonen sought to create ever-wider zones of peace around Finland; thus, he became a determined advocate of an entirely neutral Northern Europe, a position he had enunciated as early as 1952. The Danes and the Norwegians, however, generally did not accept neutrality because they would thereby lose the military protection of NATO. In 1963 Kekkonen also proposed a Nordic Nuclear-Weapons-Free Zone (Nordic NWFZ—see *Neutrality*, ch. 4). Kekkonen's advocacy of these peace issues helped him to win the virtually unquestioned confidence of the Soviets and precluded a repetition of the Note Crisis.

Conflict among Finnish political parties was so great that, during the twenty-five years of Kekkonen's tenure as president, there were twenty-six governments. Among these twenty-six governments were six nonpartisan caretaker governments, formed when conflicts among the parties became too intense to permit their joining in coalition governments. As during the years of the Paasikivi presidency, there was greater agreement on foreign policy issues than on economic concerns. An especially divisive issue was whether or not to link agricultural income, consumer prices, and workers' wages, and thus to reconcile the competing aims of the main sectors of the economy—farming, capital, and labor.

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The conflict over domestic policies was also evident in the consistent strength of the protest vote in elections. The electoral vehicle of the communists, the SKDL, polled more than 20 percent of the vote in the 1958, the 1962, and the 1966 parliamentary elections. That same discontent brought about the emergence of another protest party, the Social Democratic Union of Workers and Small Farmers (Työväen ja Pienviljelijäin Sosialidemokraattinen Liitto—TPSL), which broke off from the SDP in 1959. The TPSL advocated both a friendlier stance toward the Soviet Union and more active measures to protect workers' and farmers' economic interests. In 1959 a breakaway group from the ML formed a party called the Finnish Small Farmers' Party; in 1966 its name was changed to the Finnish Rural Party (Suomen Maaseudun Puolue—SMP). Led by Veikko Vennamo, the SMP spoke for the so-called Forgotten Finland, the small farmers, mainly of northern and eastern Finland, who lived a precarious economic existence. The SMP made a breakthrough into the ranks of the major parties in the parliamentary elections of 1970 by winning eighteen seats in the Eduskunta, but in following years its power fluctuated greatly.

Kekkonen's personal triumph in the Note Crisis led not only to his reelection as president in 1962, but also to the dominance, for a short time, of his own party, the ML. (From 1958 to 1966, the SDP was considered too anti-Soviet to be part of a government.) The ML provided the basis for the various coalition governments formed during those years. In its desire to be at the center of Finnish politics, the ML changed its name to the Center Party (Keskustapuolue—Kesk) in 1965. The presence of this large and important agrarian-based party at the center of the political spectrum has characterized the Finnish political system since independence. Fifty-four of sixty-four Finnish governments (through 1988) included the Agrarian/Center Party, compared with thirty-three for the SDP, and twenty-six for the KOK; furthermore, three of Finland's nine presidents, Relander, Kallio, and Kekkonen have belonged to this party (see table 3, Appendix A).

Finland's economy underwent a major transformation in the 1950s and the 1960s, shifting from a predominantly agrarian economy to an increasingly industrial one (see Economic Development, ch. 3). The number of workers engaged in agriculture and forestry dropped from about 50 percent to about 25 percent, and the decline of this traditionally dominant sector of the economy continued into the late 1980s. After the Soviet reparations were paid off in 1952, Soviet-Finnish trade did not decline, but rather it increased. In 1947 the Treaty of Paris had been followed by a Finnish-Soviet commercial treaty that provided the framework for

expanded trade between the two countries (see *Regional Economic Integration*, ch. 3). The Five-Year Framework Agreement of 1951, which has been renewed repeatedly, established this trade on a highly regulated basis. To a large extent, the trade consisted of Finland's selling machine goods to the Soviets in exchange for crude oil. Finland benefited from the arrangement because Finnish products sold well in the Soviet market, which could be counted on regardless of fluctuations in the Western economic system. Increased trade between the two countries also strengthened the political relationship between them.

Throughout the postwar period, the Soviet Union has been Finland's single most important trading partner, generally accounting for 20 percent to 25 percent of Finland's total imports and exports. Nevertheless, Finland's goal has been to create a balanced trade system embracing both East and West, and more than 70 percent of Finland's trade has been with noncommunist states. Finland's main trading partners, after the Soviet Union, have been Sweden, Britain, the Federal Republic of Germany (West Germany), and the United States, in order of importance. This trade has consisted mainly of the export of timber, pulp, and paper products in exchange for other countries' manufactures, technology, and raw materials for Finland's various industries (see *Foreign Economic Relations*, ch. 3). In maintaining good economic ties with these countries, Finland has had to overcome persistent Soviet suspicions; however, Finland was allowed to join the European Free Trade Association (EFTA—see Glossary) as an associate member in 1961 in the so-called FINEFTA agreement. The members of EFTA, including Finland, signed free-trade agreements with the European Economic Community (EEC—see Glossary) in 1973. Finland placated the Soviets for these initiatives by signing a trade agreement in 1973 with the Council for Mutual Economic Assistance (CMEA, CEMA, or Comecon—see Glossary), the Soviets' organization for trade and cooperation with its East European allies. Nevertheless, through the trading arrangements with EFTA and the EEC, Finland gained greater economic independence from the Soviet Union.

The economic growth that Finland has experienced in this century has laid the foundation for its social welfare state. The benefits of economic prosperity have been spread around to the population as a whole, with the result that the Finns have enjoyed a level of material security unsurpassed in their history. Conceived not as a whole, but as a series of responses to specific needs, the social welfare system has become strongly rooted. Among its main components are several forms of social insurance: allowances for mothers

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and children, aimed at encouraging people to have children; pensions; and national health insurance. By 1977 social welfare expenditures accounted for over 20 percent of GDP (see *Growth of the Social Welfare System*, ch. 2). The general effect of these measures has been to raise the standard of living of the average Finn and to remove the sources of discontent caused by material want.

Finland in the Era of Consensus, 1966-81

The parliamentary elections of 1966 marked a major turning point in Finnish politics. As in most of the recent Finnish parliamentary elections, the main debate centered on domestic issues. One issue in 1966 was the need to promote economic development in the northern part of Finland, which was lagging behind the more prosperous southern part of the country. The parliamentary elections were a great victory for the socialist parties, which gained 103 seats, their first absolute majority in parliament since 1916 (see table 4, Appendix A). Changes in the leadership of the SDP—which under a new party chairman, Rafael Paasio, had become more temperate in its attitude toward the Soviet Union—had made the SDP a viable partner in the government. Kekkonen thereupon took the major step of allying his Kesk with the SDP and with other leftist parties in order to help achieve a greater measure of cooperation in Finnish politics. The Red-Earth coalition was thus revived, and the communists enjoyed their first participation in government since 1948. Center-left coalition governments dominated Finnish politics for several elections after 1966, and this cooperation among center and left parties contributed to a growing consensus in Finnish political life.

The core of the developing consensus politics was the participation of all market sectors in major economic decisions. This had begun earlier, but was now intensified. A milestone, for example, was the conclusion in March 1968 of the Liinamaa Agreement, the first comprehensive settlement among the economic interest groups that regulated agricultural prices, workers' wages, and industrial productivity. This agreement brought together the trade union organization, SAK, the employers' organization, STK, and the Confederation of Agricultural Producers (Maataloustuottajain Keskusliitto—MTK). The agreement was made possible in large part by Kekkonen's active intervention. In succeeding years, the creation of package deals to regulate conflicts among the various sectors of the economy became a regular feature of political life. One important government-sponsored meeting among these various economic interests, at the Korpilampi Motel near Helsinki

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in 1977, led to the coining of the phrase "the spirit of Korpilampi" to describe this growing spirit of cooperation.

Another milestone in Finland's development was reached in 1969 with the amalgamation of two competing trade union organizations—the smaller, communist-dominated SAJ and the larger, Social Democrat-dominated Confederation of Finnish Trade Unions (Suomen Ammattiyhdistysten Keskusliitto—SAK)—into the Central Organization of Finnish Trade Unions (Suomen Ammattiliittojen Keskusjärjestö—SAK). By the 1980s, it had succeeded in organizing about 85 percent of Finland's total work force, one of the highest percentages in the world.

Between the watershed election of 1966 and the late 1980s, there were several more parliamentary elections. Throughout these elections, the SDP remained the largest party, and Kesk, the KOK, and the SKDL competed for the next three positions. A series of center-left governments came into power from 1966 to the 1980s, and these generally broad-based coalitions—together with the package deals for regulating conflicts in the economy—helped to make this period the most politically stable in the history of the Finnish Republic. Although there was some instability at the cabinet level, where until recent years there was a new cabinet nearly every year, the presidency added stability; between 1946 and the late 1980s, Finland had only three presidents.

The pathbreaking center-left cabinet of 1966, which was headed by the Social Democrat Rafael Paasio as prime minister, lasted until 1968 (see table 5, Appendix A). Conflicts over economic issues, especially incomes and prices policy, brought the downfall of the Paasio cabinet and the formation of a new one under the Social Democrat, and head of the Bank of Finland, Mauno Koivisto. This cabinet, which lasted until the parliamentary election of 1970, included the three socialist parties, Kesk, and the SFP.

In spite of the growing consensus in Finnish politics, the 1970s witnessed increased votes for non-government parties and sustained conflicts in parliament. In the 1970 parliamentary elections, for example, Kesk lost about one-third of its strength, and the KOK, which was not part of the government, rose from fourth place among parties to second. Even more striking, the SMP, which relied on small, economically vulnerable farmers, increased its vote almost tenfold. In addition, the conflicts among the parties were so intense that no coalition could be established, and, instead, a non-partisan caretaker government was installed. It lasted sixty-three days. Finally, a broad-based coalition was established under the Kesk politician Ahti Karjalainen. This coalition included Kesk, the SDP, the SKDL, the SFP, and the Liberal People's Party

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(Liberaalinen Kansanpuolue—LKP). The SKDL withdrew from this government in 1971 because of conflicts within the party. Karjalainen's coalition fell in late 1971 because of disagreement over economic issues, especially inflation, the balance of payments, and growing unemployment. New parliamentary elections were called for early 1972, two years ahead of schedule. Another nonpartisan caretaker government held power until the election.

The results of the 1972 elections were similar to those of the 1970 elections, except that the KOK fell from second place to fourth. Political conflicts among the parties, however, still kept a workable coalition from being formed, and, as a result, a minority SDP government was created with Paasio as prime minister. It lasted five months. President Kekkonen's direct intervention helped to bring about the formation of a coalition under the Social Democrat Kalevi Sorsa in the fall of 1972; this four-party coalition included the SDP, Kesk, the SFP, and the LKP. The Sorsa government held together until the 1975 parliamentary election, an uncommonly long time in recent Finnish history.

Finland's growing economic difficulties, which stemmed from the world economic crisis that began in 1973, provided the background for the parliamentary elections of 1975. The SKDL increased its vote to almost 19 percent, making it the second largest party. Following the election, the parties were reluctant to agree on terms for a coalition government. Kekkonen thereupon appointed Keijo Liinamaa, a retired Kesk leader, as prime minister of a caretaker government that lasted about five months. Kekkonen's direct, public intervention made possible the formation of a large, five-party (the SDP, Kesk, the SKDL, the SFP, and LKP) coalition with the Kesk politician Martti Miettunen as prime minister. The following year, the SDP and the SKDL left the coalition as a result of conflicts with the other parties. The Miettunen government fell in 1977 because of Finland's continuing economic difficulties, and a center-left government was formed under Kalevi Sorsa, Finland's sixtieth government in sixty years. Included in the five-party coalition were the SDP, Kesk, the SKDL, the SFP, and LKP. The following year, the SFP withdrew from the coalition because of conflicts with the other parties, but the Sorsa government lasted until the 1979 parliamentary election.

The main issues in the 1979 parliamentary election were unemployment and taxation. The election witnessed a resurgence of the KOK, which became the second largest party, behind the SDP, but was still excluded from governmental coalitions (see table 6, Appendix A). A major political crisis, called the "Midsummer Bomb," was unleashed by a Kesk leader's incautious statement

that the KOK was kept out of power because it was unacceptable to the Soviets, although in reality domestic political considerations may have played a role in its exclusion from the government. Another protest against the established consensus was registered in the 1979 election by the Finnish Christian League (Suomen Kristillinen Liitto—SKL), which represented a religious backlash against secularization and which polled 4.8 percent of the total vote. Nevertheless, a center-left coalition was established under Koivisto; the coalition included the SDP, Kesk. the SKDL, and the SFP, and it lasted until early 1982, when Koivisto was elected president.

Corresponding to the growth of political consensus in Finland was the increase in social consensus: the divisions of previous decades, especially the conflicts between language groups and between the working class and the middle class, diminished.

The Swedish-speaking minority declined steadily in the twentieth century from 350,000, or 13 percent of the population, in 1906 (the year the SFP was founded to protect the interests of Swedish speakers) to about 300,000, or 6 percent of the population, in the 1980s. The decline has been attributed both to emigration to Sweden (largely for economic reasons) and to the gradual Finnicization of society. Swedish remained one of the two official languages of Finland, nevertheless, and a separate Swedish-language educational establishment was maintained (see Swedish-speaking Finns, ch. 2).

The slow decline of the communist vote in Finland since the 1960s has been interpreted as a sign that the wounds caused by the civil war have gradually healed and that Finland has achieved a larger measure of national integration. In the seven parliamentary elections from 1945 to 1966, the SKDL won 20 to 25 percent of the popular vote and a correspondingly large representation in parliament. Active participation in the government, beginning in 1966, was followed by a decline in its electoral success. In 1969, Finnish communists dropped the aim of revolution from their program.

One major problem that developed in these years, however, was the urban-rural cleavage, which was compounded by regional differences. The relatively urbanized, industrialized, and prosperous south and west contrasted strongly with the basically rural, agrarian, and less prosperous north and east. The protest vote was typically stronger in the north and the east than it was elsewhere. The government has tried to relieve discontent with subsidies for the smaller, less-prosperous farmers and through other social welfare measures (see Agriculture, ch. 3).

During the postwar era, Finland changed from a primarily agrarian society to an urban society, from a land of peasant proprietors to a modern society with a predominance of urban-dwelling,

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white-collar and blue-collar workers (see Demography; Social Structure, ch. 2). Along with the changes in social and in economic circumstances went changes in popular attitudes; in particular, cosmopolitanism increased. Just as modern productive technology has made possible an unprecedented material prosperity, so also has modern communications technology speeded the diffusion of new ideas, breaking down Finland's cultural isolation. In the process, however, traditional values have come under assault by cultural imports from Western Europe.

President Kekkonen exerted a formidable influence on Finland's development during his long tenure as president from 1956 to 1981. He was re-elected in 1962 and in 1968 by larger percentages of votes than any other Finnish president had ever received. In 1973 his term of office was extended for four years by special act of parliament. This extension, it now appears, was designed to reassure the Soviets that Finnish foreign policy would remain the same, despite the free-trade agreement with the EEC that was concluded in 1973. It was evidence of Kekkonen's international stature that he hosted the Conference on Security and Cooperation in Europe from 1973 to 1975, a conference that culminated in the signing of the Helsinki Accords in 1975. By then Kekkonen was generally recognized as indispensable to Finnish politics, and he was re-elected again in 1978 with the support of all major parties. Bad health forced him to resign in October 1981 at the age of eighty-one; he lived in retirement until his death in 1986. His successor as president, the Social Democrat Mauno Koivisto, began his term of service in January 1982.

The great majority of the Finnish people and their political parties have continued to agree on the Paasikivi-Kekkonen Line as the basis of Finland's foreign policy. Only a few political extremists have opposed it, and they have been excluded from any role in formulating foreign policy. A tiny splinter group from the conservatives appeared during the 1970s as a protest against Kekkonen's allegedly too pro-Soviet foreign policy. Since 1980 this group has been called the Constitutional Party of the Right (Perustuslaillinen Oikeistopuolue—POP), but it has achieved virtually no influence.

* * *

Although there are a number of useful historical works about Finland in English, the best sources are in Swedish and Finnish. A good introduction to Finnish history is Eino Jutikkala's *A History of Finland*. Anthony F. Upton's well regarded *The Finnish*

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Revolution, 1917-1918 deals with a crucial episode in modern Finnish history. Risto Alapuro's *State and Revolution in Finland* is a sophisticated examination of the social forces involved in the formation of the Finnish state. C. Leonard Lundin's *Finland in the Second World War* was a pioneering work when it appeared in 1957 and is still considered the definitive book on the subject in English. Lundin's essay on Russification in Edward C. Thaden's *Russification in the Baltic Provinces and Finland, 1855-1914* is a solid work on that subject. D.G. Kirby's *Finland in the Twentieth Century* is an interpretive history of the period through the 1970s. Among the best available works that analyze the development of Finland's foreign policy since World War II is Roy Allison's *Finland's Relations with the Soviet Union, 1944-84*. There is a useful collection of speeches by President Urho Kekkonen, edited by Tuomas Vilkuna titled *Neutrality: The Finnish Position*. (For further information and complete citations, see Bibliography.)

Chapter 2. The Society and Its Environment



*Medieval church with uncoursed stone walls and
brick-decorated gables, built circa 1480 at Hollola,
approximately 100 kilometers from Helsinki*

FINLAND HAS BEEN on Europe's periphery, both physically and socially, for almost all its history. It is Europe's northernmost country, with a quarter of its area above the Arctic Circle. By the late 1980s, however, modern means of communication had substantially reduced its physical remoteness from the rest of Europe. Modern technology also had lessened winter's hold on the country. Finns lived comfortably, and they moved about freely the whole year. In the social realm, Finland had left its traditional poverty and backwardness behind. Since World War II, it had become one of the world's most advanced societies. Its citizens enjoyed prosperity and meaningful employment, as well as benefits from the social measures they had forged, which guaranteed everyone a decent and humane share of the prosperity.

During the course of their history, Finns have always moved about, both within their country and abroad. The years after World War II saw, however, an unprecedented population shift away from the countryside to the increasingly more urbanized south. New industries and a rapidly growing service sector meant that the work force not only relocated, but also changed in character. Agriculture's and forestry's combined share of the work force declined from about 50 percent in 1950 to about 10 percent in 1980. Industry's share remained unchanged at about 20 percent, while that of the service sector doubled from 9 percent to 18 percent. Between 1950 and 1980, the number of students and pensioners quadrupled, going from 6 to 24 percent, reflecting a wealthier and healthier society.

Personal relationships also changed. Families became smaller; divorce became more common. A growing public sector meant that many tasks previously managed by the family could now be entrusted to the state. Lessened dependence on the family also meant greater freedom for women. This was reflected in new legislation that gave women greater equality with men. Traditional habits persisted, however, and in the late 1980s Finland's women still had a secondary place at home, in the workplace, and in politics.

Finland was a remarkably homogeneous country. It had no racial minorities. The largest minority group, the Swedish-speaking Finns, was so well assimilated with the majority that there were fears it would eventually disappear. In fact, the group's share of the country's population had dropped from 12 percent to 6 percent in the twentieth century. Two very small minorities, the Lapps (or Sami) and the Gypsies, remained apart from the majority. They still

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suffered from some discrimination and from poor living standards, but legislation and more open attitudes on the part of the majority were improving their lot.

Finland was virtually free of the religious divisions that bedeviled many other societies. One of the two state churches, the Lutheran Church of Finland, had nearly 90 percent of the population as members. Religious freedom was guaranteed by law, and Finns also belonged to several dozen other churches. Because Finnish society had become increasingly secularized, differences of opinion about moral issues caused less friction than they had in the past.

Finns maintained their traditional respect for education. Education had gradually become more accessible, and an ever greater number of Finns were studying at all levels. The old system, which excluded many, had been replaced by one that attempted to meet individual schooling needs and to keep open as many options for further training as possible; no one went without education for lack of money.

Finland, like its Nordic neighbors, had created a system of public welfare measures that was among the most advanced in the world. Through a steady progression of legislation, Finns came to be protected from many of life's vicissitudes. Coverage was virtually universal, and it was seen as a right rather than as charity. Income security measures guaranteed Finns a livelihood despite age, illness, or unemployment. The state also provided many services that assisted Finns in their daily life, such as child care, family counseling, and health care. Although some social problems persisted, the quality of life for Finns overall had steadily and, in many instances, dramatically improved. Better medical care meant that Finns enjoyed improved health, while subsidized housing brought them better and roomier shelter. Efforts also were being made to protect the natural environment.

Geography

Finland is the northernmost country on the European continent. Although other countries have points extending farther north, virtually all of Finland is north of 60 degrees north latitude; nearly a quarter of the land area and fully one-third of the latitudinal extent of the country lie north of the Arctic Circle (see fig. 1).

Size, External Boundaries, and Geology

In area, Finland has 304,623 square kilometers of land and 33,522 square kilometers of inland water, a total of 338,145 square kilometers. It shares borders on the west with Sweden for 540 kilometers, on the north with Norway for 720 kilometers, and on the

east with the Soviet Union for 1,268 kilometers. There are approximately 1,107 kilometers of coastline on the Gulf of Finland (south), the Baltic Sea (southwest), and the Gulf of Bothnia (west). The rugged coastline is deeply indented with bays and inlets. The off-shore region is studded with islands.

The most predominant influences on Finland's geography were the continental glaciers that scoured and gouged the country's surface. When the glaciers receded about 10,000 years ago, they left behind them moraines, drumlins, and eskers. Other indications of their presence are the thousands of lakes they helped to form in the southern part of the country. The force of the moving ice sheets gouged the lake beds, and meltwaters helped to fill them. The recession of the glaciers is so recent (in geologic terms) that modern-day drainage patterns are immature and poorly established. The direction of glacial advance and recession set the alignment of the lakes and streams in a general northeast to southwest lineation. The two Salpausselkä Ridges, which run parallel to each other about twenty-five kilometers apart, are the terminal moraines. At their greatest height they reach an elevation of about 200 meters, the highest point in southern Finland.

Landform Regions

Many countries of the world can be divided into distinct geographic regions, in each of which some physical characteristic is dominant, almost to the exclusion of others. In Finland, the same physical characteristics are common to each of the four geographic regions into which the country is divided (see fig. 8). Regional differences in Finland lie, therefore, in subtle combinations of physical qualities. In archipelago Finland, rock and water are dominant. Coastal Finland consists of broad clay plains where agriculture plays a leading role. The interior lake district supports extensive forests. Upland Finland is covered by Arctic scrub. Nonetheless, each of these regions contains elements of the others. For instance, patches of agriculture extend far northward along some rivers in Lapland, and in southern Finland a substantial bogland, the Suomenselkä, is sometimes referred to as Satakunta Lapland because it has the character of Arctic tundra.

Archipelago Finland, consisting of thousands of islands and skerries, extends from the southwestern coast out into the Baltic Sea. It includes the strategically significant Åland Islands, positioned at the entrance to the Gulf of Bothnia. After World War I, both Finland and Sweden laid claim to the islands, which are culturally more Swedish than Finnish. For strategic reasons, however, the League of Nations awarded the Åland Islands to Finland in 1921

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(see Finnish Security Policy Between the Wars, ch. 1). A principal reason for this decision was that, during the winter, the islands are physically linked to Finland by the frozen waters of the sea and are hence essential for the country's defense. This myriad of forest-covered and bare bedrock islands was formed and continues to be formed by the process of uplift following the last glaciation.

The rest of the country is also still emerging from the sea. The weight of the continental glaciers depressed the land over which they moved, and even now, a hundred centuries after their recession, Finland is rising up from this great load through the process of isostatic rebound. In the south and the southwest, this process is occurring slowly, at a rate of twenty-five to thirty centimeters a century. Farther north in the Ostrobothnia area, uplift is more rapid, amounting to eighty or ninety centimeters a century. The process also means that Finland is growing about seven square kilometers yearly as land emerges from the sea.

Coastal Finland consists of broad clay plains extending from the coast inland, for no more than 100 kilometers. These plains slope southward from the morainic Salpausselkä Ridges in southern Finland. Along the Gulf of Bothnia coast, the plains slope southwest from upland areas. The land of coastal Finland is used for agriculture and dairy farming.

The interior lake district is the largest geographic region, and it is perhaps what most foreigners think of when they imagine Finland. The district is bounded to the south by the Salpausselkä Ridges. Behind the ridges extend networks of thousands of lakes separated by hilly forested countryside. This landscape continues to the east and extends into the Soviet Union. As a consequence, there is no natural border between the two countries. Because no set definition of what constitutes a lake and no procedures for counting the number of lakes exist, it has been impossible to ascertain exactly how many lakes the region has. There are, however, at least 55,000 lakes that are 200 or more meters wide. The largest is Lake Saimaa, which, with a surface area of more than 4,400 square kilometers, is the fifth largest lake in Europe. The deepest lake has a depth of only 100 meters; the depth of the average lake is 7 meters. Because they are shallow, these many lakes contain only slightly more water than Finland's annual rainfall. The hilly, forest-covered landscape of the lake plateau is dominated by drumlins and by long sinuous eskers, both glacial remnants.

Upland Finland extends beyond the Arctic Circle. The extreme north of this region is known as Lapland. The highest points in upland Finland reach an elevation of about 1,000 meters, and they are found in the Kilpisjärvi area of the Scandinavian Keel Ridge.

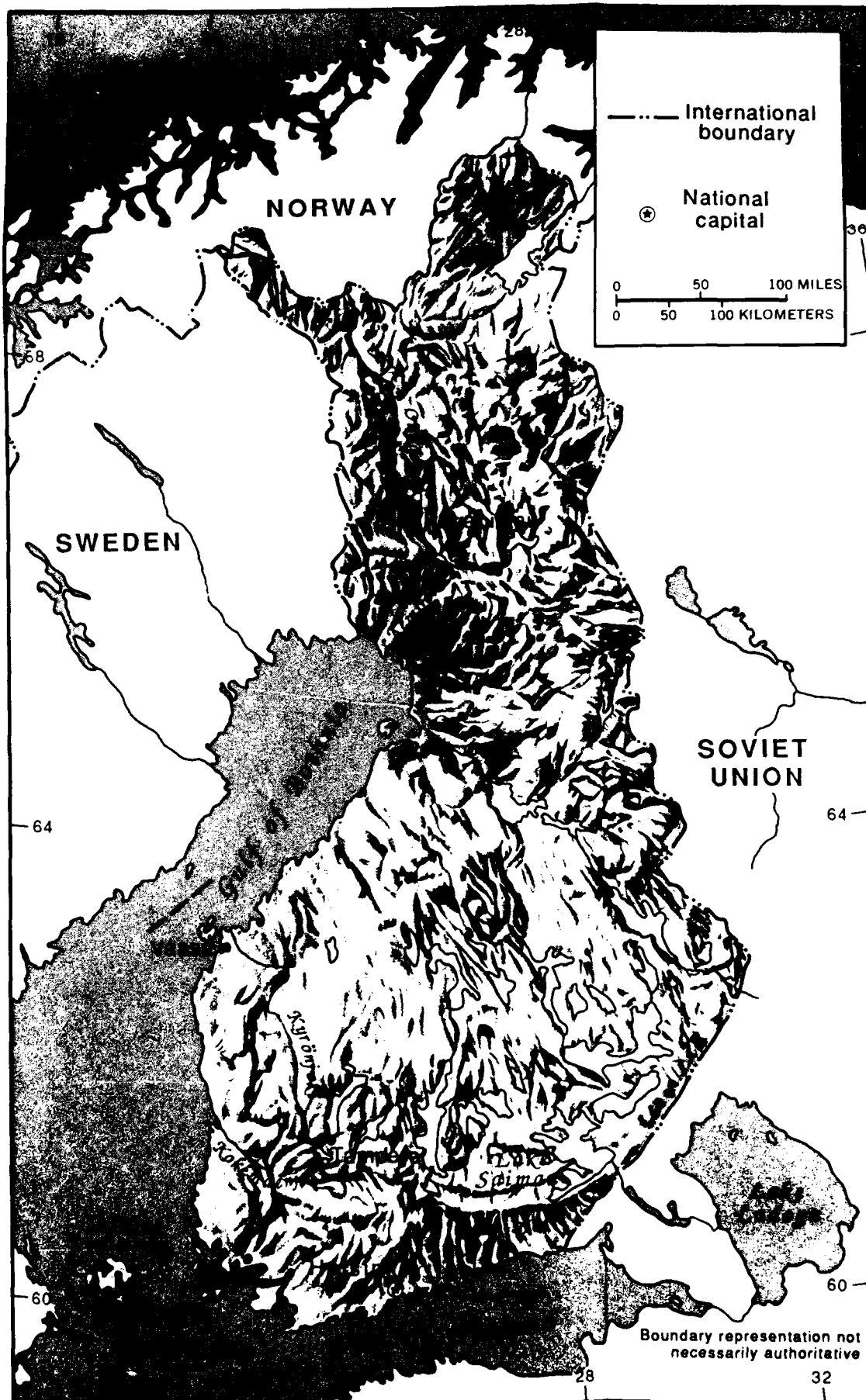


Figure 8. Topography and Drainage

In the southern upland region the hills are undulating, while in the north they are rugged. Much of upland Finland is not mountainous, but consists of bogs.

Finland's longest and most impressive rivers are in the north. The Kemijoki has the largest network of tributaries. Farther south the Oulujoki drains the beginning of the north country. Most of the streams flow to the Gulf of Bothnia, but there is a broad stretch of land in the north and northeast that is drained by rivers flowing north across Norway and northeast across the Soviet Union to the Arctic Ocean.

Climate

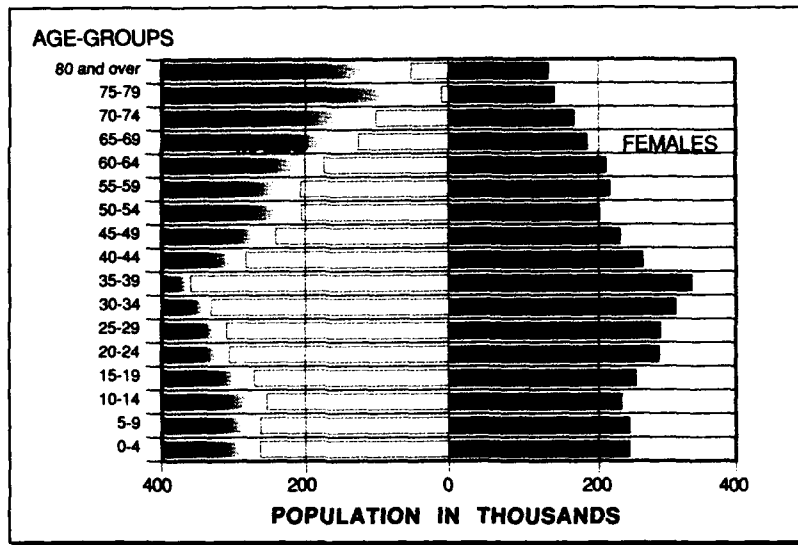
Latitude is the principal influence on Finland's climate. Because of Finland's northern location, winter is the longest season. On the average, winter lasts 105 to 120 days in the archipelago and 180 to 220 days in Lapland. This means that southern portions of the country are snow-covered about three months of the year and the northern, about seven months. The long winter causes about half of the annual 500 to 600 millimeters of precipitation in the north to fall as snow. Precipitation in the south amounts to about 600 to 700 millimeters annually. Like that of the north, it occurs all through the year, though not so much of it is snow.

The Atlantic Ocean to the west and the Eurasian continent to the east interact to modify the climate of the country. The warm waters of the Gulf Stream and the North Atlantic Drift Current, which warm Norway and Sweden, also warm Finland. Westerly winds bring the warm air currents into the Baltic areas and to the country's shores, moderating winter temperatures, especially in the south. These winds, because of clouds associated with weather systems accompanying the westerlies, also decrease the amount of sunshine received during the summer. By contrast, the continental high pressure system situated over the Eurasian continent counteracts the maritime influences, causing severe winters and occasionally high temperatures in the summer.

Demography

Finland had 250,000 inhabitants in the sixteenth century. As a result of wars, the population did not reach the 1 million mark until about 1815 (see table 7, Appendix A). Mortality remained high even in the nineteenth century. The famine of 1867 to 1868, for example, killed 5 to 10 percent of the population, and it was not until 1880 that there were 2 million Finns. In the last part of the century, improved living conditions began to lower the death rate, but a simultaneous fall in the birth rate and increased emigration

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Source: Based on information from Nordic Council of Ministers, Nordic Statistical Secretariat, *Yearbook of Nordic Statistics, 1987*, Copenhagen, 1988, 22.

Figure 9. Population by Age and Sex, 1986

retarded growth. As a result, shortly before World War I the country's inhabitants still numbered only 3 million. A short-lived "baby boom" in the first five years after the upheavals of World War II allowed the population to reach 4 million by 1950. Since then the country's population growth has been among the lowest in the world. Low birth rates coupled with heavy emigration resulted in a population of only 4,937,000 in 1987. The annual birth rate since the early 1970s has averaged fewer than 14 births per 1,000 persons, a rate that has caused demographers to estimate that Finland's population would peak at just under 5 million by about the turn of the century, after which it would decline (see fig. 9).

At the beginning of the 1980s, Finland's average population density, fourteen persons per square kilometer, was the second lowest in Western Europe, just behind Norway's thirteen and ahead of Sweden's seventeen. Actual population density varied widely, however (see fig. 10). The province of Lapland, covering 29.3 percent of the nation's area but containing only about 4 percent of its population, had a population density of about two persons per square kilometer, making it one of the earth's emptiest regions. Uusimaa, Finland's second smallest province, which contains the capital city, Helsinki, accounted for only 3.1 percent of the

national territory; however, it was home for more than 20 percent of the country's inhabitants, who lived together at a density of 119 per square kilometer, a figure identical to that of Denmark. The provinces of Kymi, Häme, and Turku ja Pori in south-central Finland, which had a mix of rural and urban areas with economies based on both agriculture and industry, were perhaps more truly representative of Finnish conditions. During the 1980s, their population densities ranged from thirty to forty persons per square kilometer.

External Migration

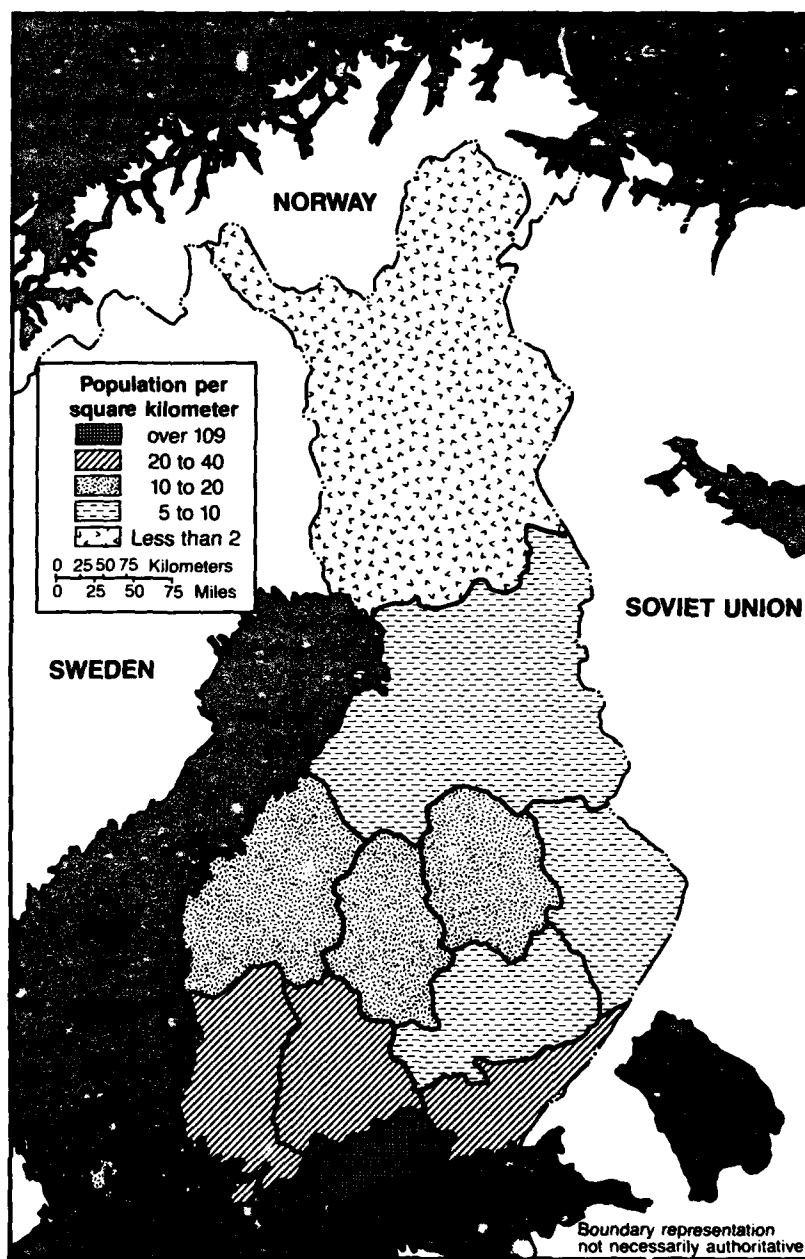
Demographic movement in Finland did not end with the appearance of immigrants from Sweden in the Middle Ages. Finns who left to work in Swedish mines in the sixteenth century began a national tradition, which continued up through the 1970s, of settling in their neighboring country. During the period of tsarist rule, some 100,000 Finns went to Russia, mainly to the St. Petersburg area. Emigration on a large scale began in the second half of the nineteenth century when Finns, along with millions of other Europeans, set out for the United States and Canada. By 1980 Finland had lost an estimated 400,000 of its citizens to these two countries.

A great number of Finns emigrated to Sweden after World War II, drawn by that country's prosperity and proximity. Emigration began slowly, but, during the 1960s and the second half of the 1970s, tens of thousands left each year for their western neighbor. The peak emigration year was 1970, when 41,000 Finns settled in Sweden, which caused Finland's population actually to fall that year. Because many of the migrants later returned to Finland, definite figures cannot be calculated, but all told, an estimated 250,000 to 300,000 Finns became permanent residents of Sweden in the postwar period. The overall youthfulness of these emigrants meant that the quality of the work force available to Finnish employers was diminished and that the national birth rate slowed. At one point, every eighth Finnish child was born in Sweden. Finland's Swedish-speaking minority was hard hit by this westward migration; its numbers dropped from 350,000 to about 300,000 between 1950 and 1980. By the 1980s, a strong Finnish economy had brought an end to large-scale migration to Sweden. In fact, the overall population flow was reversed because each year several thousand more Finns returned from Sweden than left for it.

Internal Migration

However significant the long-term effects of external migration

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Source: Based on information from Federal Republic of Germany, Statistisches Bundesamt, *Länderbericht Finnland, 1986*, Wiesbaden, 1986, 8.

Figure 10. Population Density by Province, 1981

The Society and Its Environment

on Finnish society may have been, migration within the country had a greater impact—especially the migration which took place between the end of World War II and the mid-1970s, when half the population moved from one part of the country to another. Before World War II, internal migration had first been a centuries-long process of forming settlements ever farther to the north. Later, however, beginning in the second half of the nineteenth century with the coming of Finland's tardy industrialization, there was a slow movement from rural regions toward areas in the south where employment could be found.

Postwar internal migration began with the resettlement within Finland of virtually all the inhabitants of the parts of Karelia ceded to the Soviet Union (see *The Continuation War*, ch. 1). Somewhat more than 400,000 persons, more than 10 percent of the nation's population, found new homes elsewhere in Finland, often in the less settled regions of the east and the north. In these regions, new land, which they cleared for farming, was provided for the refugees; in more populated areas, property was requisitioned. The sudden influx of these settlers was successfully dealt with in just a few years. One of the effects of rural resettlement was an increase in the number of farms during the postwar years, a unique occurrence for industrialized nations of this period (see *Agriculture*, ch. 3).

It was, however, the postwar economic transformation that caused an even larger movement of people within Finland, a movement known to Finns as the Great Migration (see *Economic Development*, ch. 3). It was a massive population shift from rural areas, especially those of eastern and northeastern Finland, to the urban, industrialized south (see table 8, Appendix A). People left rural regions because the mechanization of agriculture and the forestry industry had eliminated jobs. The displaced work force went to areas where employment in the expanding industrial and service sectors was available. This movement began in the 1950s, but it was most intense during the 1960s and the first half of the 1970s, assuming proportions that in relative terms were unprecedented for a country outside the Third World. The Great Migration left behind rural areas of abandoned farms with reduced and aging populations, and it allowed the creation of a densely populated postindustrial society in the country's south.

The extent of the demographic shift to the south can be shown by the following figures. Between 1951 and 1975, the population registered an increase of 655,000. During this period, the small province of Uusimaa increased its population by 412,000, growing from 670,000 to 1,092,00; three-quarters of this growth was

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caused by settlers from other provinces. The population increase experienced by four other southern provinces, the Åland Islands, Turku ja Pori, Häme, and Kymi, taken together with that of Uusimaa amounted to 97 percent of the country's total population increase for these years. The population increase of the central and the northern provinces accounted for the remaining 3 percent. Provinces that experienced an actual population loss during these years were in the east and the northeast—Pohjois-Karjala, Mikkeli, and Kuopio.

One way of visualizing the shift to the south would be to draw a line, bowing slightly to the north, between the port cities of Kotka on the Gulf of Finland and Kaskinen on the Gulf of Bothnia. In 1975 the territory to the south of this line would have contained half of Finland's population. Ten years earlier, such a line, drawn farther to the north to mark off perhaps 20 percent more area, would have encompassed half the population. One hundred years earlier, half the population would have been distributed throughout more than twice as much territory. Another indication of the extent to which Finns were located in the south was that by 1980, approximately 90 percent of them lived in the southernmost 41 percent of Finland.

Urbanization

The Great Migration was also a process of urbanization. Mechanization of agriculture and forestry meant fewer jobs in these sectors that had traditionally taken the bulk of Finland's work force. Redundant workers found new employment in the economically burgeoning south. Just before World War II, three out of four Finns lived in rural areas; it was not until 1969 that more than half the population had come to live in urban communities. The trend continued, and by the early 1980s some 60 percent of Finns lived in urban areas. The largest urban settlement in Finland was greater Helsinki, which, with a population of about 950,000 in the 1980s, contained one-fifth of the country's total population. Two of Helsinki's suburbs, Espoo (established in 1963) and Vantaa (dating only from 1972), were, by a wide margin, the country's fourth and fifth largest cities. The greater urban areas of the cities of Tampere and Turku each contained about 250,000 inhabitants.

Social Structure

The economic and political transformations that Finland has experienced since the last decades of the nineteenth century have radically altered the country's social structure. In the first phase of this transformation, industrialization expanded the economy,

created hitherto unknown occupational groups, and forced the old bureaucratic and clerical elite to share power and prestige with a new entrepreneurial class. The political transformation established a democratic republic in which parties representing workers and farmers successfully contended for the highest public offices. After World War II, the two processes of transformation quickened. In one generation, the manner in which Finns lived and earned their livelihood changed in an unprecedented way. An essentially rural society moved to the city; farmers, for centuries the most numerous class, ceded this position to white-collar workers; and prosperity replaced poverty.

Occupational and Wage Structure

Finland's export-dependent economy continuously adapted to the world market; in doing so, it changed Finnish society as well. The prolonged worldwide boom, beginning in the late 1940s and lasting until the first oil crisis in 1973, was a challenge that Finland met and from which it emerged with a highly sophisticated and diversified economy, including a new occupational structure (see *Economic Development*, ch. 3). Some sectors kept a fairly constant share of the work force. Transportation and construction, for example, each accounted for between 7 and 8 percent in both 1950 and 1985, and manufacturing's share rose only from 22 to 24 percent; however, both the commercial and the service sectors more than doubled their share of the work force, accounting, respectively, for 21 and 28 percent in 1985. The greatest change was the decline of the economically active population employed in agriculture and forestry, from approximately 50 percent in 1950 to 10 percent in 1985. The exodus from farms and forests provided the manpower needed for the growth of other sectors.

Studies of Finnish mobility patterns since World War II have confirmed the significance of this exodus. Sociologists have found that people with a farming background were present in other occupations to a considerably greater extent in Finland than in other West European countries. Finnish data for the early 1980s showed that 30 to 40 percent of those in occupations not requiring much education were the children of farmers, as were about 25 percent in upper-level occupations, a rate two to three times that of France and noticeably higher than that even of neighboring Sweden. Finland also differed from the other Nordic countries in that the generational transition from the rural occupations to white-collar positions was more likely to be direct, bypassing manual occupations.

The most important factor determining social mobility in Finland was education. Children who attained a higher level of

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education than their parents were often able to rise in the hierarchy of occupations. A tripling or quadrupling in any one generation of the numbers receiving schooling beyond the required minimum reflected the needs of a developing economy for skilled employees. Obtaining advanced training or education was easier for some than for others, however, and the children of white-collar employees still were more likely to become white-collar employees themselves than were the children of farmers and blue-collar workers. In addition, children of white-collar professionals were more likely than not to remain in that class.

The economic transformation also altered income structure. A noticeable shift was the reduction in wage differentials. The increased wealth produced by an advanced economy was distributed to wage earners via the system of broad income agreements that evolved in the postwar era (see *Industrial Relations*, ch. 3). Organized sectors of the economy received wage hikes even greater than the economy's growth rate. As a result, blue-collar workers' income came, in time, to match more closely the pay of lower-level white-collar employees, and the income of the upper middle class declined in relation to that of other groups.

The wage structure of the 1980s contrasted sharply with that of 1900. At the turn of the century, the pay of a senior government official was many times greater than that of an industrial worker, and households headed by professionals customarily employed servants. By the 1980s, the household of a university-educated professional had an average income not quite twice that of a manual worker in the farming or forestry sector. According to the Central Statistical Office of Finland, if the average household income is measured at 100 in 1984, that of a professional household is 169; of a salaried employee, 118; of a construction worker, 112; and of an ordinary service sector employee, 104. Among households with incomes below the average are those of farm and forestry workers, with an average income measured at 92; those receiving unemployment benefits at 73; and those retired at 44.

Despite a more even distribution of income, Finnish government statistics showed that a considerable portion of taxable income was earned by small segments of the population. In 1985 the top 10 percent of taxpayers earned 26.9 percent of taxable income, and the top 20 percent earned 43.7 percent of income. The bottom 10 percent of taxpayers earned only 0.5 percent of taxable income; the bottom 20 percent, only 3 percent. These figures had remained stable since at least the late 1970s, and they were unlikely to change greatly by the early 1990s, as Finnish taxes remained relatively modest compared with those of other West European countries.



*Saimaa, a system of interconnected lakes covering 1,000 square kilometers in eastern Finland
Courtesy Embassy of Finland, Washington*

Although Finland's income distribution was the most unequal of the five Nordic countries, it did not differ greatly from its neighbors. Sweden, for example, had the most equal distribution, with the top 20 percent earning 38.1 percent of taxable income, and the bottom 20 percent, 5.3 percent.

Class Structure

For centuries Finnish society consisted of the nobility, clergy, burghers, and peasants. The nineteenth century saw the eclipse of the nobility and clergy and, with the coming of industrialization, the formation of socially significant entrepreneurial and working classes. The civil war and subsequent periods of repression helped to create hostile relations among labor, land, and capital, and in the interwar period Finland was a country marked by deep social fissures along class and language lines. The common national goals of World War II closed some wounds, but it was not until the coming of consensus politics in the second half of the 1960s that constructive relations among competing social groups became possible. An unprecedented prosperity, widely distributed through incomes agreements and a Nordic-style welfare system, served to integrate all groups into society; a more open education system, coupled with the internationally pervasive consumer culture of the

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postwar era, planed away many differences of taste and conduct related to class.

Finnish scholars have examined the composition of the new consensus society, and their varied findings have prompted serious discussions of its class makeup. Among many issues debated have been the definition of the working class, the extent to which it has been affected by a process of "embourgeoisement," and the constitution of the ruling elite, if any, that has steered the country. One noted Finnish sociologist, Matti Alestalo, familiar with academic studies in these areas, divided Finnish society of the 1980s into six classes: farmers, working class, petite bourgeoisie, lower middle class, upper middle class, and upper class.

For Alestalo, the two most striking changes in Finland's class structure after World War II were the steep drop in the size of the farming population and the great expansion of the lower middle class. During the early 1950s, the number of those working in agriculture actually increased, but thereafter it fell steadily. By 1980 the sector was about one-quarter of its size thirty years earlier, and it consisted almost entirely of farm owners and their families because the number of hired agricultural workers had dwindled. The farmers who remained enjoyed a higher standard of living because it was the smaller and poorer farms that had been abandoned. Another reason for farmers' new prosperity was that they were a highly organized and homogeneous class that successfully lobbied for government policies that benefited them. Farmers differed from other classes in that they were, to a far higher degree, self-recruiting; about 80 percent of farmers were the offspring of farmers. The rationalization of agriculture made small businessmen out of most farmers, but farmers differed from other owners of small enterprises in that they passed on to their children something that was more a way of life than a business.

Alestalo classified as a worker anyone employed for primarily manual work, and he included in this class some white-collar wage earners whom others judged to belong to the lower middle class. According to his calculations, the working class had accounted for about 50 percent of the economically active work force during the entire postwar period, but the sectors in which it was employed had changed. The share of workers employed in agriculture and forestry had dropped from 22 to 4 percent by 1980, while the share active in manufacturing and services had increased to 60 and to 26 percent, respectively. Workers' living standards had improved greatly—more than those of other groups—since the war, but even in the 1980s workers still had poorer health and less job security than other classes. They were also housed more poorly, and one

of their primary concerns was to acquire homes of their own. By the 1980s, Finnish workers had become much more integrated into society than they had been in the immediate postwar period, but they still identified strongly with their labor unions and with the parties that had traditionally represented them. Although workers no longer lived in the isolated enclaves of the interwar period, Alestalo believed it would be premature to say that they had become part of the middle class.

Finland's petite bourgeoisie of shopowners and small entrepreneurs had never been an economically important class. It had declined slowly in size, beginning in the 1950s, until by 1980 it accounted for only 5 percent of the work force. Many small shops operated by this class had closed because of the growth of large retail firms. Many small grocery stores, for example, had gone out of business. There was little intergenerational stability in this class because many of its members came from outside it.

Alestalo divided the large group engaged in nonmanual, white-collar occupations into a lower middle class and an upper middle class. Educational level, recruitment criteria, complexity of tasks, level of income, and commitment to the organization were among the factors that determined to which of these two classes a person belonged. Both classes had grown since the war, doubling in size between 1960 and 1980, but the lower middle class share of the total work force in 1980 amounted to 24 percent, making it the second largest class in Finland and dwarfing the 8 percent of the upper middle class. Both levels of the middle class had many members born in other classes, but the lower middle class had more, one-third having a farming background and another third coming from the working class. Women dominated in the lower middle class, constituting 60 percent of its membership in 1960 and 70 percent in 1980, an indication of their heavy employment in lower-level service-sector positions such as those of office workers, elementary school teachers, and nurses.

According to Alestalo, the country's upper class accounted for about 1 percent of the economically active population; it was made up of the owners, directors, or managers of large industrial concerns, banks, and commercial institutions in the private sector, as well as the heads of large state companies and agencies, and senior civil servants in the public sector. Some members of the country's upper class inherited their wealth or position. In the postwar era, however, most appeared to be hired professionals. Much of the membership of the upper class came from the upper reaches of Finnish society, but several factors resulted in its having a more heterogeneous composition than earlier—the coming to power of

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socialist parties with leaderships from various classes, the common practice of politicizing senior civil service appointments, and the greater importance of state institutions.

Family Life

The profound demographic and economic changes that occurred in Finland after World War II affected the Finnish family. Families became smaller, dropping from an average of 3.6 persons in 1950 to an average of 2.7 by 1975. Family composition did not change much in that quarter of a century, however, and in 1975 the percentage of families that consisted of a man and a woman was 24.4; of a couple and children, 61.9; of a woman with offspring, 11.8; of a man and offspring, 1.9. These percentages are not markedly different from those of 1950. Change was seen in the number of children per family, which fell from an average of 2.24 in 1950 to an average of 1.7 in the mid-1980s, and large families were rare. Only 2 percent of families had four or more children, while 51 percent had one child; 38 percent, two children; and 9 percent, three children. The number of Finns under the age of 18 dropped from 1.5 million in 1960 to 1.2 million in 1980.

Marriage

Attitudes toward marriage have changed substantially since World War II. Most obvious was the declining marriage rate, which dropped from 8.5 marriages per 1,000 Finns in 1950 to 5.8 in 1984, a decline great enough to mean a drop also in absolute numbers. In 1950 there were 34,000 marriages, while in 1984 only 28,500 were registered, despite a growth in population of 800,000. An explanation for the decline was that there was an unprecedented number of unmarried couples. Since the late 1960s, the practice of cohabitation had become increasingly common, so much so that by the late 1970s most marriages in urban areas grew out of what Finns called "open unions." In the 1980s, it was estimated that about 8 percent of couples who lived together, approximately 200,000 people, did so without benefit of marriage. Partners of such unions usually married because of the arrival of offspring or the acquisition of property. A result of the frequency of cohabitation was that marriages were postponed, and the average age for marriage, which had been falling, began to rise in the 1970s. By 1982 the average marriage age was 24.8 years for women and 26.8 years for men, several years higher for both sexes than had been true a decade earlier.

The overwhelming majority of Finns did marry, however. About 90 percent of the women had been married by the age of forty,

and spinsterhood was rare. A shortage of women in rural regions, however, meant that some farmers were forced into bachelorhood.

While the number of marriages was declining, divorce became more common, increasing 250 percent between 1950 and 1980. In 1952 there were 3,500 divorces. The 1960s saw a steady increase in this rate, which averaged about 5,000 divorces a year. A high of 10,191 was reached in 1979; afterwards the divorce rate stabilized at about 9,500 per year during the first half of the 1980s.

A number of factors caused the increased frequency of divorce. One was that an increasingly secularized society viewed marriage, more often than before, as an arrangement that could be ended if it did not satisfy its partners. Another reason was that a gradually expanding welfare system could manage an ever greater portion of the family's traditional tasks, and it made couples less dependent on the institution of marriage. Government provisions for parental leave, child allowances, child care programs, and much improved health and pension plans meant that the family was no longer essential for the care of children and aged relatives. A further cause for weakened family and marital ties was seen in the unsettling effects of the Great Migration and in the economic transformation Finland experienced during the 1960s and the 1970s. The rupture of established social patterns brought uncertainty and an increased potential for conflict into personal relationships.

Status of Women

After examining the position of women around the world, the Washington-based Population Crisis Committee reported in 1988 that Finland, slightly behind top-ranked Sweden and just ahead of the United States, was one of the very best places in which a woman could live. The group reached this conclusion after examining the health, educational, economic, and legal conditions that affect women's lives.

When compared with women of other nations, Finnish women, who accounted for just over 50 percent of the population in the mid-1980s, did have a privileged place (see fig. 10). They were the first in Europe to gain the franchise, and by the 1980s they routinely constituted about one-third of the membership of the Eduskunta (parliament) and held several ministerial posts. In the 1980s, about 75 percent of adult women worked outside the home; they made up about 48 percent of the work force. Finnish women were as well educated as their male counterparts, and the number of women studying at the university level was slightly higher than the number of men. In addition to an expanding welfare system, which since World War II had come to provide them with

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substantial assistance in the area of child-bearing and child-rearing, women had made notable legislative gains that brought them closer to full equality with men.

In 1972 the Council for Equality was established to advise lawmakers on methods for realizing full legal equality for women. In 1983 legislation arranged that both parents were to have equal rights for custody of their children. A year later, women were granted equal rights in the establishment of their children's nationality. Henceforth any child born of a Finnish woman would have Finnish citizenship. After a very heated national debate, legislation was passed in 1985 that gave women an equal right to decide what surname or surnames they and their children would use. These advances were capped by a law that went into effect in early 1987 forbidding any discrimination on the basis of sex and providing protection against it. Once these laws were passed, Finnish authorities signed the United Nations Convention on the Elimination of All Forms of Discrimination Against Women, in 1986.

In a number of areas, however, the country's small feminist movement maintained that the circumstances in which Finnish women lived needed to be improved. Most striking was the disparity in wages. Although women made up just under half the work force and had a tradition of working outside the home, they earned only about two-thirds of the wages paid to men. Occupations in which women predominated, such as those of retail and office personnel, were poorly paid in contrast to those in which men constituted the majority. Despite the sexes' equal educational attainments, and despite a society where sexual differentiation played a smaller role than it did in many other countries, occupational segregation in Finland was marked. In few of the twenty most common occupations were the two sexes equally represented. Only in occupations relating to agriculture, forestry, and school teaching was a rough parity approached, and as few as 6 percent of Finns worked in jobs where 40 to 60 percent of workers were of the opposite sex. Studies also found that equal educational levels did not—in any category of training—prevent women's wages from lagging behind those paid to men. Women tended to occupy lower positions, while males were more often supervisors or managers. This was the case everywhere, whether in schools or universities, in business, in the civil service, or in politics at both the local level and the national level.

In addition to their occupying secondary position in the workplace, women had longer workdays because they performed a greater share of household tasks than did men. On the average, their workweek outside the home was several hours shorter than

men's because a greater portion of them were employed only part-time or worked in the service sector where hours were shorter than they were in manufacturing. Studies have found, however, that women spent about twice as much time on housework as men—about three hours and forty minutes a day, compared with one hour and fifty minutes for men. Men did twice as many household repairs and about an equal amount of shopping, but they devoted only one-third to one-fourth as much time to cleaning, cooking, and caring for children. Given that the bulk of family chores fell to women, and that they were five times more likely than men to head a single-parent family, the shortcomings of Finland's child day-care system affected women more than men.

The Equality Law that went into effect in 1987 committed the country to achieving full equality for women. In the late 1980s, there was a timetable listing specific goals to be achieved during the remainder of the twentieth century. The emphasis was to be equality for everyone, rather than protection for women. Efforts were undertaken not only to place women in occupations dominated by males, but also to bring males into fields traditionally believed to belong to the women's sphere, such as child care and elementary school teaching. Another aim was for women to occupy a more equal share of decision-making positions.

Minority Groups

Compared with many countries, Finland was quite homogeneous. There were few foreigners, and the ones who were present were usually white-collar employees required for commercial reasons. Very few persons of other races were seen on the nation's streets, and only a handful of refugees were granted asylum. Finns were open about their desire to avoid admitting workers from distant southern countries and hence to avoid the kinds of situations that had led to minor racial incidents in neighboring Sweden and Denmark, let alone those that had caused the serious social problems experienced by Britain.

Finland did have one significant minority, the Swedish-speaking Finns, who had been in the country for more than 1,000 years and who, for centuries, had been the source of its ruling elite. Nineteenth-century nationalism, some fierce struggles in the twentieth century, and changing demographic patterns had deprived this group of its traditional dominance, but law and compromise had allowed the Swedish-speaking Finns a secure and peaceful place within Finnish society. Two smaller minorities had not been successfully assimilated. One, the Lapps, was descended from the original inhabitants of the land; the other, the Gypsies, was a much

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later addition. The former lived mostly in the high north; the latter were found throughout the country. Neither group was a threat to Finnish society, but both occasionally posed problems for social workers, and their treatment at the hands of their fellow Finns was sometimes cause for regret. Also present in Finland were tiny Jewish and Muslim communities, both of which had roots going back into the nineteenth century.

Lapps

The oldest known inhabitants of Finland are the Lapps, who were already settled there when the Finns arrived in the southern part of the country about 2,000 years ago. The Lapps were distantly related to the Finns, and both spoke a non-Indo-European language belonging to the Finno-Ugric family of languages. Once present throughout the country, the Lapps gradually moved northward under the pressure of the advancing Finns. As they were a nomadic people in a sparsely settled land, the Lapps were always able to find new and open territory in which to follow their traditional activities of hunting, fishing, and slash-and-burn agriculture. By the sixteenth century, most Lapps lived in the northern half of the country, and it was during this period that they converted to Christianity. By the nineteenth century, most of them lived in the parts of Lapland that were still their home in the 1980s. The last major shift in Lapp settlement was the migration westward of 600 Skolt Lapps from the Petsamo region after it was ceded to the Soviet Union in 1944. A reminder of their eastern origin was their Orthodox faith; the remaining 85 percent of Finland's Lapps were Lutheran.

About 90 percent of Finland's 4,400 Lapps lived in the municipalities of Enontekiö, Inari, and Utsjoki, and in the reindeer herding-area of Sodankylä. According to Finnish regulations, anyone who spoke the Lapp language, Sami, or who had a relative who was a Lapp, was registered as a Lapp in census records. Finnish Lapps spoke three Sami dialects, but by the late 1980s perhaps only a minority actually had Sami as their first language. Lapp children had the right to instruction in Sami, but there were few qualified instructors or textbooks available. One reason for the scarcity of written material in Sami is that the three dialects spoken in Finland made agreement about a common orthography difficult. Perhaps these shortcomings explained why a 1979 study found the educational level of Lapps to be considerably lower than that of other Finns.

Few Finnish Lapps actually led the traditional nomadic life pictured in school geography texts and in travel brochures. Although



*Lapps in traditional dress
Courtesy Embassy of Finland,
Washington*

many Lapps living in rural regions of Lapland earned some of their livelihood from reindeer herding, it was estimated that Lapps owned no more than one-third of Finland's 200,000 reindeer. Only 5 percent of Finnish Lapps had the herds of 250 to 300 reindeer needed to live entirely from this kind of work. Most Lapps worked at more routine activities, including farming, construction, and service industries such as tourism. Often a variety of jobs and sources of income supported Lapp families, which were, on the average, twice the size of a typical Finnish family. Lapps also were aided by old-age pensions and by government welfare, which provided a greater share of their income than it did for Finns as a whole.

There have been many efforts over the years by Finnish authorities to safeguard the Lapps' culture and way of life and to ease their entry into modern society. Officials created bodies that dealt with the Lapp minority, or formed committees that studied their situation. An early body was the Society for the Promotion of Lapp Culture, formed in 1932. In 1960 the government created the Advisory Commission on Lapp Affairs. The Lapps themselves formed the Samii Litto in 1945 and the Johti Sabmelazzat, a more aggressive organization, in 1968. In 1973 the government arranged for elections every four years to a twenty-member Sami Par'lamenta that was to advise authorities. On the international level, there was the Nordic Sami Council of 1956, and there has been a regularly occurring regional conference since then that represented—in

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addition to Finland's Lapps—Norway's 20,000 Lapps, Sweden's 10,000 Lapps, and the 1,000 to 2,000 Lapps who remained in the Kola Peninsula in the Soviet Union.

Swedish-speaking Finns

The largest minority group in Finland was the Swedish-speaking Finns, who numbered about 250,000 in the late 1980s. The first evidence of their presence in the country, dating from the eighth century, comes from the Åland Islands. After the thirteenth century, colonization from Sweden began in earnest, and within two centuries there was a band of territory occupied by Swedish speakers that ran along the western and the southern coasts and had an average width of about thirty kilometers (see fig. 11). Cycles of Finnish and Swedish assimilation have changed the linguistic makeup of this strip of land. In Ostrobothnia, for example, the area of Swedish settlement extended inland as much as sixty kilometers and still existed in the late 1980s, while other areas had eventually reverted to being once again overwhelmingly inhabited by Finnish speakers. By the end of the nineteenth century, the areas of Swedish settlement had shrunk to basically what they were in the second half of the 1980s: Ostrobothnia, the Åland Islands, and a strip along the southern coast that included the capital (see fig. 12). The settlers from Sweden gradually lost contact with their relatives in the old country and came to regard Finland as their country. They were distinguished from other Finns only by their language, Swedish, which they retained even after hundreds of years of separation from Sweden.

Although most Swedish-speaking Finns worked as farmers and fishermen, for centuries they also made up the country's governing elite. Even after the country was ceded to Russia in 1809, the aristocracy and nearly all those active in commerce, in the courts, and in education had Swedish as their native language. The country's bureaucracy did virtually all its written work in Swedish. Finnish speakers who desired to enter these groups learned Swedish. Only the clergy used Finnish on a regular basis, for they dealt with the bulk of the population who, for the most part, knew only that language. There were no campaigns to force Swedish on Finnish speakers, however, and the problem of language as a social issue did not exist during the period of Swedish rule.

Swedish retained its primacy until the second half of the nineteenth century, when, as a result of budding nationalism, it was gradually displaced by Finnish. A good many of the strongest advocates of Finnish nationalism were Swedish speakers who used their own language in the patriotic pamphlets and journals of the

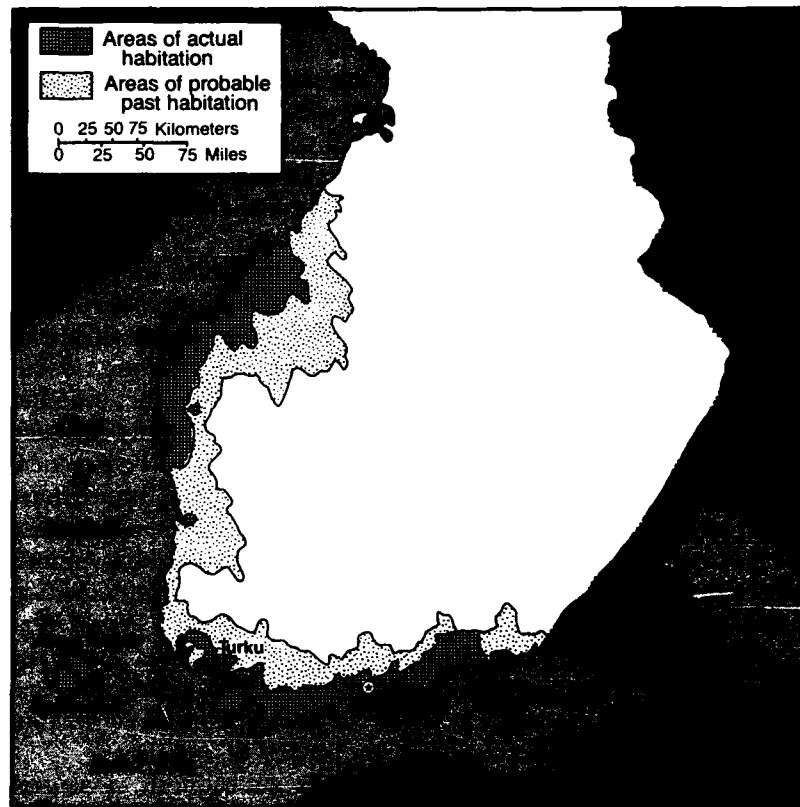
time because few of them could write Finnish. By the end of the century, the nationalist movement had been successful in fostering the birth of Finnish as a written language and in bringing about the formation of an educated Finnish-speaking elite. Numbering 350,000 and constituting 13 percent of the country's population in 1900, Swedish-speaking Finns were still disproportionately influential and wealthy, but they were no longer dominant in the country of their birth.

Independent Finland's new Constitution protected the Swedish-speaking minority, in that it made both Finnish and Swedish national languages of equal official status, stipulating that a citizen be able to use either language in courts and have government documents relating to him or her issued in his or her language, and that the cultural and economic needs of both language groups be treated equally. The Language Act of 1922 covered many of the practical questions engendered by these constitutional rights. Despite these legal provisions, however, there were still currents of Finnish opinion that wished to see a curtailment of the Swedish-speaking minority's right to protect its cultural identity. Attempts at Finnicization failed, however, and the advent of the national crisis of World War II submerged disagreements about the language issue. Since the war, there have been occasional squabbles about practical measures for realizing the minority's economic and cultural rights, but none about the inherent value of the policy of equality.

The Language Act of 1922, and its subsequent revisions, arranged for the realization of the rights of the Swedish-speaking minority. The basic units for protecting and furthering the exercise of these rights were the self-governing municipalities. After each ten-year census, Finland's nearly 500 municipalities were classified as either unilingual or bilingual with a majority language. In the 1980s, there were 461 municipalities: 396 Finnish-speaking; 21 bilingual with a Finnish-speaking majority; 24 Swedish-speaking; 20 bilingual with Swedish as the majority language. A municipality was bilingual if the number of speakers of the minority language exceeded either 3,000 or 8 percent of its population. If a municipality had been classified as bilingual, it could not revert to unilingual status until the minority population declined to less than 6 percent.

Language classification had important consequences for the inhabitants of a municipality, for it determined which language was to be used for government business. In bilingual municipalities, all documents affecting the general public—tax forms, for example—had to be published in both languages. In addition, national and local government officials had to be bilingual—a requirement

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Source: Based on information from Erik Allardt and Karl Johan Miemois, *Roots Both in the Center and the Periphery: The Swedish Speaking Population in Finland*, Helsinki, 1979, 7.

Figure 11. Areas Inhabited by Swedish-speaking Finns up to 1910

not always met, however—and public notices and road signs had to be in both languages. In unilingual communities this was not the case. Documents relating directly to an individual case could be translated, but otherwise official business was transacted in the municipality's language. If someone were involved in a court case, however, and did not know the prevailing language, translation would be provided.

The method used to classify municipalities had to be regarded as successful because, although the overwhelming majority of municipalities were unilingual Finnish-speaking communities, only 4 percent of the Swedish-speaking minority lived in municipalities where their language was not used. Finnish-speaking Finns fared

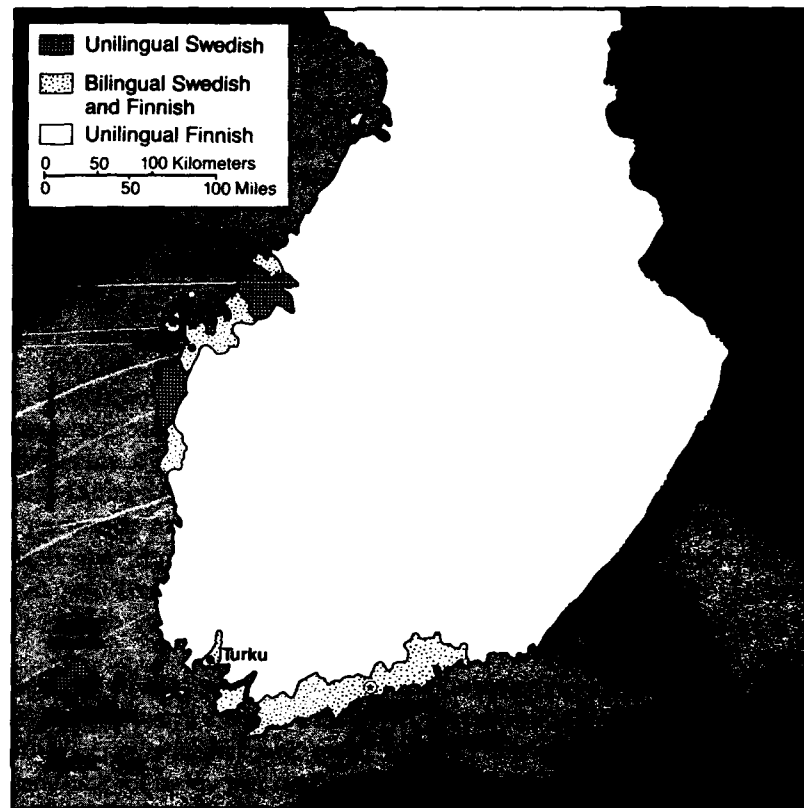
even better, for less than 1 percent of them lived where their language was not used officially. Some of the Swedish speakers who lived apart from their fellows did so voluntarily because they had management positions at factories and plants in regions that were nearly entirely Finnish-speaking areas. Because they were educated, these managers knew Finnish. They were also representatives of the tradition of "*brukssvenskar*" (literally, "factory Swedes"), and were sometimes the only Swedish speakers their brother Finns knew.

On the national level, all laws and decrees had to be issued in both languages, and the Swedish-speaking minority had the right to have Swedish-language programs on the state radio and television networks. Swedish-language schools had to be established wherever there was a sufficient number of pupils. There were several Swedish-language institutions of higher learning, and a specified number of the professorial chairs at the University of Helsinki was reserved for Swedish speakers, as was one brigade in the army. A drawback for the Swedish-speaking minority, though, was that because of its small size, the national government could not, for practical reasons, publish in Swedish all parliamentary deliberations, committee reports, and official documents.

The Swedish-speaking minority was well represented in various sectors of society. The moderate Swedish People's Party (*Svenska Folkpartiet*—SFP) got the votes of most Swedish speakers, with the exception of workers who more often than not voted for socialist parties. The SFP polled enough support to hold a number of seats in the *Eduskunta* that usually matched closely the percentage of Swedish speakers in the country's total population. It very often had ministers in the cabinet as well (see *The Swedish People's Party*, ch. 4). An unofficial special body, the Swedish People's Assembly (*Svenska Finlands Folkting*), representing all members of the minority, functioned in an advisory capacity to regular governing institutions. Most national organizations, whether economic, academic, social, or religious, had branches or separate equivalents for Swedish speakers. Because of its long commercial and maritime traditions, the Swedish-speaking minority was disproportionately strong in some sectors of the financial community and the shipping industry. In general, however, with the exception of the upper middle class, where there were more Swedish speakers than usual, the class distribution of the minority matched fairly closely that of the larger community.

The size of the Swedish-speaking minority increased fairly steadily until 1940, when it numbered 354,000 persons, or 9.6 percent of the country's total population. Since then it has declined, dropping to 296,000, or 6.1 percent of the population, in 1987. In

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Source: Based on information from Erik Allardt and Karl Johan Miemois, *The Swedish-Speaking Minority in Finland*, Helsinki, 1981, 56.

Figure 12. Language Areas of Finland, 1976

relative terms, however, it has been in decline for centuries, dropping from 17.5 percent in 1610, and it was expected to go below 6 percent by the end of the twentieth century. The decline stemmed from a variety of factors: a slightly lower birth rate than the rest of the population during some periods; a greater rate of emigration to the United States before World War I; a large loss of some 50,000 persons who settled permanently in Sweden in the decades after World War II; and frequent marriages with Finnish speakers.

By the 1980s, more than half the marriages of Swedish-speaking Finns were to persons from outside their language group. In urban areas, especially in Helsinki, the rate was over 60 percent. This was not surprising because the members of the minority group were usually bilingual, and there were no legal constraints (although there were sometimes social and familial constraints) against marrying

those speaking the majority language. The bilingualism of the minority was caused by compulsory schooling in the majority language from the third school year on, and from living in a society where, with the exception of some rural areas, speaking only Swedish was a serious handicap because the majority group usually had a poor knowledge of Swedish, despite compulsory study of it for several years. Swedish-speaking Finns were easily able then to cross from one language group to another. However highly they valued their mother tongue and their group's cultural identity, they were not bound by them when selecting friends or spouses. A survey of the late 1970s found, for example, that Swedish-speaking natives of Helsinki felt they had more in common with natives of their city who did not speak their language than they did with Swedish speakers from other regions. More often than not, Swedish-speaking Finns married outside their group. These marriages posed a danger to their language community in that the resulting offspring were usually registered as speakers of the majority language, even when they were truly bilingual. Thus the Finnish practice of counting speakers of a language by the principle of personality, that is on an individual basis, rather than by the principle of territoriality, as was done only for the Åland Islands, was leading to a decline in the size of the Swedish-speaking minority.

Gypsies

Gypsies have been present in Finland since the second half of the sixteenth century. With their unusual dress, unique customs, and specialized trades for earning their livelihood, Gypsies have stood out, and their stay in the country has not been an easy one. They have suffered periodic harassment from the hands of both private citizens and public officials, and the last of the special laws directed against them was repealed only in 1883. Even in the second half of the 1980s, Finland's 5,000 to 6,000 Gypsies remained a distinct group, separated from the general population both by their own choice and by the fears and the prejudices many Finns felt toward them.

Finnish Gypsies, like Gypsies elsewhere, chose to live apart from the dominant societal groups. A Gypsy's loyalty was to his or her family and to Gypsies in general. Marriages with non-Gypsies were uncommon, and the Gypsies' own language, spoken as a first language only by a few in the 1980s, was used to keep outsiders away. An individual's place within Gypsy society was largely determined by age and by sex, old males having authority. A highly developed system of values and a code of conduct governed a Gypsy's behavior, and when Gypsy sanctions, violent or not, were imposed,

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for example via "blood feuds," they had far more meaning than any legal or social sanctions of Finnish society.

Unlike the Lapps, who lived concentrated in a single region, the Gypsies lived throughout Finland. While most Lapps wore ordinary clothing in their everyday life, Gypsies could be identified by their dress; the men generally wore high boots and the women almost always dressed in very full, long velvet skirts. Like most Lapps, however, Gypsies also had largely abandoned a nomadic way of life and had permanent residences. Gypsy men had for centuries worked as horse traders, but they had adapted themselves to postwar Finland by being active as horse breeders and as dealers in cars and scrap metal. Women continued their traditional trades of fortune telling and handicrafts.

Since the 1960s, Finnish authorities have undertaken measures to improve the Gypsies' standard of living. Generous state financial arrangements have improved their housing. Their low educational level (an estimated 20 percent of adult Gypsies could not read) was raised, in part, through more vocational training. A permanent Advisory Commission on Gypsy Affairs was set up in 1968, and in 1970 racial discrimination was outlawed through an addition to the penal code. The law punished blatant acts such as barring Gypsies from restaurants or shops or subjecting them to unusual surveillance by shopkeepers or the police.

Jewish and Muslim Communities

In the 1980s, there were about 1,300 Jews in Finland, 800 of whom lived in Helsinki and most of the remainder of whom lived in Turku. During the period of Swedish rule, Jews had been forbidden to live in Finland. Once the country became part of the Russian Empire, however, Jewish veterans of the tsarist army had the right to settle anywhere they wished within the empire. Although constrained by law to follow certain occupations, mainly those connected with the sale of clothes, the Jewish community in Finland was able to prosper, and in 1890 it numbered about 1,000. Finnish independence brought complete civil rights, and during the interwar period there were some 2,000 Jews in Finland, most of them living in urban areas in the south. During World War II, Finnish authorities refused to deliver Jews to the Nazis, and the country's Jewish community survived the war virtually intact. By the 1980s, assimilation and emigration had significantly reduced the size of the community, and it was only with some difficulty that it maintained synagogues, schools, libraries, and other pertinent institutions.

The Muslim community in Finland was even smaller than the

Jewish community; it numbered only about 900, most of whom were found in Helsinki. The Muslims first came to Finland from Turkey in the mid-nineteenth century and have remained there ever since, active in commerce. Like their Jewish counterparts, Finnish Muslims, because of their small number, have had difficulty maintaining all the institutions needed by a social group.

Religion

The right to worship freely is guaranteed by Article 8 and Article 9 of the Constitution of 1919 and by the Freedom of Religion Act that went into effect in 1923. In the 1980s, there were about thirty registered religions in the country, all of which met the minimum requirement of having at least thirty followers. Despite this wealth of religions, the country's religious life was dominated by one of its two state churches, the Lutheran Church of Finland, which had nearly 90 percent of the population as members. The other state church, the Orthodox Church of Finland, had a membership of about 1 percent of the population. The remaining churches or religions had 2 percent of the people in their congregations. Followers of the smaller churches included Jews, Muslims, Roman Catholics, a variety of Protestants, Mormons, Christian Scientists, and converts to eastern religions. Seven percent belonged to no church.

Role of Religion

Religion was a part of public life in a variety of ways. The celebration of the gaining of Finnish independence on December 6 had a religious component, as did the annual opening of the Eduskunta. There were three religious holidays when public entertainments were not permitted. The state churches kept the official records of their members' civil status, and the vast majority of marriages were performed in the state churches and had the same legal status as a civil ceremony. Church members paid a church tax that was collected and paid to the churches by state authorities. Persons wishing to leave one of the state churches had to do so formally, and records of this decision were maintained. Religious instruction was a regular part of the schools' curricula, and children wishing to be excused from it had to request the right to take a substitute course. The armed forces had chaplains, the highest of whom was a bishop, and their services were, in practice, usually obligatory for recruits. Chaplains' salaries were paid by the state, as were those of the higher clergy of the two state churches. The oath generally used in court had a religious content, though non-believers had the right to one that made no reference to a deity.

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and instead was only a solemn affirmation of the truth of their testimony. Although it was rarely invoked, there was a Finnish law against blasphemy. Numerous religious programs and services were broadcast on the country's state radio and television networks.

Much of this religious influence was based in Finland's past, however, and did not correspond with attitudes of most Finns, because by the 1980s the country had become a highly secularized society. Polls revealed, for example, that about 70 percent of the population believed in God, a good deal fewer than the 90 percent who belonged to the state churches. About 40 percent of the population believed that the best place to find God was in the Bible, but only about 10 percent read it at least once a week, striking figures for a Protestant country. Frequent church attendance was unusual. Surveys conducted during the 1980s found that perhaps as few as 4 percent went to church every Sunday, about 12 percent went once a month, and 43 percent went at least once during the course of a year.

These figures did not give a complete picture of Finnish religious life, however. Finland's pietist traditions meant that there was much private prayer as opposed to public worship; about one-third of Finns under the age of thirty-five and more than half of those above this age reportedly prayed every week. In addition, the Lutheran Church touched the lives of many Finns through its considerable social work and counseling, although these activities were often not strictly religious in nature.

The role the state churches played in life's key moments made them, for reasons of tradition, important to most Finns, even to those who were not religious. More Finns were baptized, married, and buried with church rites than were members of the churches. A very important rite of passage for adolescents was confirmation, which signified a coming of age even for those from freethinking families. For this reason, more than 90 percent of 15-year-olds were confirmed, despite the several weeks of lessons this entailed. Although church membership was a routine affair for many, polls conducted in the 1970s and the 1980s consistently found that only about 10 percent of those interviewed had given any serious thought to leaving a state church, even though freedom from the church tax would mean a small financial gain. For many Finns, leaving their church would be too great a break with family and community traditions. In addition, some of the values that churches had traditionally stood for had been internalized. Observers noted, for example, that although Finland had undoubtedly become more secularized since World War II, particularly in the urban areas, the traditional Lutheran virtues of hard work and self-discipline,



Helsinki Cathedral
Courtesy Embassy of Finland, Washington

inculcated over the centuries, were still evident in the lives of most Finns.

Lutheran Church of Finland

Religious life in Finland since the Protestant Reformation has been dominated by the Lutheran Church of Finland. For most of this period, almost all Finns belonged to it. In the late 1980s, about 90 percent of the population were members, and an even greater number participated in its rituals. During the time of Swedish rule, the church was the country's state church, and it was part of the national government, subordinate to the Swedish king. Even when headed during the nineteenth century by Russian tsars of the Orthodox faith, the Lutheran Church remained a state church. Since 1809, however, it has had to share this distinction with the Orthodox Church, which had followers in the eastern province of Karelia.

The Ecclesiastical Law of 1869 gave the Lutheran Church a measure of independence from the state by allowing it a representative body, the Synod, that could decide many important church matters on its own. When Finland became independent, the church gained a greater degree of autonomy, although it still was subject to state supervision. The president, for example, decided who was to become a bishop, using a list of three candidates submitted by the Lutheran Church. In 1943 the formation of its own central

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administration, separate from the Ministry of Education, meant the church was largely self-sufficient. Some practical matters, such as levels of church taxes, salaries and pensions, or reorganization of church districts, were still decided by the government or required its approval, but in many other matters the church set its own course.

A study commission of 1977 recommended a greater separation of church and state as a goal for Finnish society. The next decade's discussion of abolishing the presidential selection of bishops was one example of efforts to realize this goal. The gradual movement away from the national government meant that the Lutheran Church of Finland, although still a state church, was more independent than the other Lutheran churches of the Nordic region. This independence was so marked that students of religion commonly regarded it not so much as a state church, but as a folk church that served all Finns, members and nonmembers alike.

Revivalist Movements Within the Lutheran Church

Another characteristic of the Lutheran Church of Finland that distinguished it from the other Lutheran churches of the Nordic countries was the strong tradition of revivalism that flourished within it. Elsewhere, revivalists left the state churches and founded their own. Although Finnish revivalist movements at first seemed a threat to the state church, ecclesiastical authorities came to learn that these new currents of religious feeling could enrich the church rather than diminish it. Since the nineteenth century, about half a dozen distinct movements had found a secure and enduring place within the established church. This meant that the Lutheran Church in Finland did not experience recurring splits caused by members dissatisfied for reasons of doctrine or temperament. The enthusiasm and the fervor of the revivalists were a frequent tonic to the state church, and their presence within it allowed the church closer ties to the whole of the Finnish people than would otherwise have been possible.

The revivalist movements remained distinctly Lutheran; they adhered to the doctrine of justification by faith alone as the center of preaching and teaching, and made clear demarcations between the Kingdom of God and the material world. Worldly pleasures were generally decried, with a varying degree of emphasis being placed instead on abstinence, faith, abnegation, and prayer. The faithful could go to God directly without the church and clergy as intermediaries. Priestly intervention was not necessary in the spiritual realm. In the material world, however, there was secular

government with a justified civil authority worthy of obedience. The movements also followed the traditional Lutheran insistence on giving ritual a smaller place than it enjoyed in Roman Catholicism or Eastern Orthodoxy. Hence, there were only two sacraments—baptism and Holy Communion—retained as symbols to strengthen faith, for Lutherans felt that they had no inherent redemptive value.

In the late 1980s, the five or six main movements had well over 100,000 members, and each movement was vigorous enough to have a central organization, newspaper, or magazine. Each held a summer convention that could attract tens of thousands of the devout. Though the movements might on occasion disagree with positions adopted by the Lutheran Church as a whole, they could protest them, or could actually prevent their adoption at the church's democratically arranged meetings and forums.

The earliest of the movements was The Awakened. Its most important leader, Paavo Ruotsalainen (1777–1852), was an uneducated peasant who attracted a substantial following by appealing to the poor and the oppressed through his emphases on Divine greatness and on human wretchedness and helplessness. Man, he proclaimed, was inept and could never succeed; only God redeemed and healed. Man's duties, then, were to abandon his own works and to trust only in God. Followers of The Awakened held religious services at their homes to supplement those of the church. Unlike the Laestadians, who belonged to a movement founded somewhat later, followers of The Awakened were tolerant; they did not call attention to themselves as believers to whom grace belongs, in contrast to the rest of the world, which was unrepentant. In the late 1980s, the movement was strongest in the eastern Savo region and in Ostrobothnia, and it attracted between 30,000 and 40,000 to its summer meetings.

The Laestadian Movement, named after its founder, Lars Levi Laestadius (1800–61), a Swedish preacher in Lapland, was perhaps the strongest of all the revivalist movements; even in the 1980s, it could attract 100,000 of the faithful to its mass meetings. One reason for its large gatherings was the importance the movement attached to the visible congregation and to the absolution given to its members after confession. The movement's services were often marked by ecstatic outbursts. Laestadians were somewhat intolerant, as they stressed the certainty of salvation for Christians and the probability of damnation for nonbelievers. This adamancy caused occasional rifts within the movement. Laestadians continued to have their stronghold in northern Finland, where the movement had originated.

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The Evangelical Movement was an offshoot of The Awakened. Its founder, Fredrik Gabriel Hedberg (1811-93), believed that an obsession with wretchedness detracted from the assurance of salvation that a Christian has through his faith in Christ's righteousness. The movement stressed infant baptism, as its adherents believed the whole of salvation was given through this sacrament. It also was noted for its missionary work abroad.

The smallest of the old revivalist groups was that of the Supplicationists, founded by Henrik Renqvist (1789-1866), an early advocate of the temperance movement. Supplicationists believed in frequent and fervent prayer and in meetings at which all remained on their knees. Supplicationists were active mostly in southwestern Finland. Quite conservative in their outlook, they were not especially successful in attracting young converts.

Revivalism has also seen the formation of newer groups. One of these was the Fifth Revival, dating from shortly before World War II. It stressed missionary work and evangelism. In the 1970s Charismatics also began to be active within the Lutheran Church of Finland.

Organization and Duties of the Lutheran Church

The Lutheran Church was divided into eight dioceses, each headed by a bishop. An exception was the diocese of Turku, which was headed by an archbishop. Although he had no legal power over the other bishops, the archbishop was regarded as the first among equals and was the country's most prominent clergyman. He presided over important church meetings and was frequently the church's spokesman. One of the dioceses, that of Borgå, did not have a primarily territorial basis, but ministered to the Swedish-speaking members of the church throughout the country. For administrative purposes, each diocese had a chapter, consisting of the bishop, three other clergymen, and a jurist. The chapter also functioned as a court to resolve disputes and to answer appeals against church decisions. Appeals against chapter decisions were handled by higher state courts. The highest subdivision of the diocese was the deanery, an administrative entity no longer of much importance. The seventy-odd deaneries were divided into parishes. In the late 1980s, there were just under 600 of these core units of the church. The 600 parishes varied widely in both the number of their parishioners and their geographic extent. In the sparsely populated north, for example, a parish could have more square kilometers within its jurisdiction than it did parishioners, while there were nearly three dozen parishes in Helsinki alone.

The Lutheran Church of Finland employed about 18,000 persons in 1987, some 10,000 of whom worked full-time. There were about 1,400 ministers, enough to meet the church's needs. They received their training at two institutions, one in Helsinki and the other in Turku. The first women priests were ordained in 1988. Until that time, women had been limited to the secondary role of lector, with duties that encompassed teaching, pastoral work, and administering Holy Communion.

The highest body of the church was the Synod, which met twice a year, once in the spring and once in the fall. The 108-member body consisted of the 8 bishops, 1 military bishop, 2 high judges, 1 representative of the government, and 96 elected delegates—64 of whom were laymen and 32 of whom were clergymen. The number of delegates that the individual diocese sent to the Synod depended on its population, but each diocese sent at least six delegates, two of whom were clergymen. Chaired by the archbishop, the Synod had a number of responsibilities, including deliberating on legislative questions, directing disbursement of the resources of the central church fund, supervising Bible translations, discussing the nature of relations with other religious organizations, and resolving fundamental and highly divisive issues.

Two other central bodies were the Ecclesiastical Board and the Bishops' Conference. The former was a permanent body, chaired by the archbishop, that oversaw the church's administration and finances and prepared matters for discussion at the Synod. The latter, consisting of the bishops and eight other church officials, met twice a year to discuss, in an unbinding way, issues of concern to the dioceses.

The church placed great emphasis on congregational life. Despite the apparent episcopal nature of the church organization, parishes were quite independent. They made most of their decisions on their own and had only to observe the constraints of ecclesiastical law. By means of democratically elected councils and boards, they chose their own pastors, church musicians, and administrative personnel and, to some degree, set their own salaries. Every adult member of a parish had the right to vote, and he or she had the possibility of winning a place on the council or board, which meant that the laity had much say about how its parish was run.

Parishes were financially independent, for it was to them that the national government paid the church tax, equal to about 1 percent of the taxable income of parishioners. Corporations within a parish were also obliged to pay the church tax, and, altogether, this tax represented about 75 percent of the Lutheran Church's income. Some of the religious and social services that a parish

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managed yielded income, too, as did the 1 percent of the nation's forests that were in church possession. An elected administrative board and an executive council managed parish finances, although in urban areas parishes sometimes banded together to handle such practical details. Parishes were obliged, however, to pay about 6 percent of their income to a fund, used by the church as a whole, to help poorer parishes and to pay for other activities like missionary work.

The historical role of the Lutheran Church as a state church was reflected in the services managed by the parish that in other countries were the concern of secular government. For instance, it maintained the official population records for all of its members. Those of nonmembers were kept by local government. Parishes managed graveyards. In an area where there was no alternative cemetery, nonmembers or nonbelievers could be buried in one belonging to the church. Weddings performed by the parish had the same value as civil services, provided both the bride and groom were Christians.

Parishes did not limit themselves to regular religious services and to other activities such as Sunday schools or study groups. They often organized a specifically Finnish religious meeting, the *seurat*, which had its origins in the revivalist tradition and was a mixture of hymns and addresses by both clergy and laymen.

Parish personnel also offered services of a secular nature that supplemented social services provided by the state. Church law required that each parish have a deacon or deaconess who had many of the responsibilities of a state social worker. Often trained as nurses, deaconesses ministered to the sick, aged, and handicapped and coordinated their work with state agencies. Since World War II, the church has been active in providing personnel and facilities to youth programs, such as summer camps.

Orthodox Church of Finland

The other state church was the Orthodox Church of Finland. Although it had a much smaller membership than the Lutheran Church of Finland, only 56,000 in 1987, it enjoyed the same legal status and rights as the larger church. The state paid it the church tax it had collected from its parishioners, and the Orthodox Church kept parishioners' official demographic records. Although the state had some control over its activity, the Orthodox Church was largely independent. It also was a distinctly Finnish church, for although its rites and practices were Slavic, in accordance with Orthodox doctrine, it had been using the Finnish language in its services since the second half of the nineteenth century. After Finland became independent, the Orthodox Church of Finland broke with the



*View of Helsinki's historic center: foreground, Uspenski Cathedral the largest Orthodox church in Western Europe; upper left, the Esplanade, the capital's spacious promenade
Courtesy Embassy of Finland,
Washington*

Russian Orthodox Church, and after 1923 it belonged to the Ecumenical Patriarchate of Constantinople, the leader of which was its nominal head.

Before World War II, most members of the Orthodox Church lived in the province of Karelia. After much of the province was annexed by the Soviet Union in 1944, most Finns living in the annexed areas fled westward. Some 70 percent of the members of the Orthodox Church were therefore dispersed throughout Finland, and many settled in regions where before there had been only Lutherans. By the 1980s, there were twenty-five parishes in the country. In 1980 a third diocese was created in northern Finland to minister better to Orthodox Christians living in that region and to make the Orthodox Church eligible to become fully autonomous, or in Orthodox terminology, autocephalous.

The highest official of the Finnish church was the archbishop of the diocese of Karelia, with its seat at Kuopio. Two other bishops, or metropolitans, headed the other two dioceses, those of Helsinki and Oulu. The church's highest governing body was the Church Assembly, which met every third year unless more frequent meetings were necessary. It consisted of thirty-four voting members,

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seventeen of whom were laymen. Routine administration was managed by the Church Council. The Bishops' Synod approved the doctrinal decisions of the assembly.

Local administrative practices were democratized and mirrored the power and influence of the laity seen in the Lutheran Church.

Smaller Registered Churches

In the 1980s, there were more than two dozen other registered religions in Finland, but none of them enjoyed the legal status of the two state churches. The largest single group in the second half of the 1980s consisted of several Pentecostal churches that drew on the revivalist strains always present in the Finnish religious tradition. Pentecostal churches had a total congregation of about 40,000, distributed in a number of organizations. The Church of Jesus Christ of Latter Day Saints (Mormons) had some success and had about 4,000 followers. Roman Catholics numbered about 4,000, distributed in 5 parishes presided over by a bishop. Most of the score of priests were foreigners, and Roman Catholic Finns who desired ordination had to study abroad. So successful had the Protestant Reformation been in extirpating Roman Catholicism from Finland that for more than three centuries no Finn had become a Roman Catholic priest until one was ordained in Paris in 1903. The Jewish community of 1,200 persons was located in southern urban areas. It was so small that it was having trouble sustaining itself and had to seek its rabbi abroad. Finland's tiny Muslim community dated from the nineteenth century and numbered about 900. As in other Western countries, eastern religions and sects had received some attention in Finland in recent decades. The most successful of them was the Baha'i Society of Finland with just over 300 followers.

Education

Finland has had a strong tradition of literacy since the Protestant Reformation. The Lutheran Church aimed at widespread literacy to enable the common man to read the Bible. In the next century, proof of literacy became a requirement for the right to marry. By the second half of the nineteenth century, legislation was in place for a general system of elementary education, although the tsarist regime did not allow its realization. After independence, a Comprehensive Education Act was passed in 1921 that met the state's constitutional requirement to provide "universal compulsory education," including elementary education, at no cost. Legislation also stipulated that Finnish citizens had a duty to be educated.

In the postwar period, the basic goal of Finnish education

authorities has been to create a system that would provide equal educational opportunities for everyone, would guarantee the country a populace able to meet the technological challenges of the international marketplace, would encourage democratic values, and would allow each person the fullest realization of his or her potential. Work to realize this goal has led since the 1960s to profound changes in the organization of the country's school system. The old elementary school system that determined at an early age whether pupils were to follow a general or an academic course of studies was replaced by a uniform comprehensive system that postponed this decision until the mid-teens and that, even then, did not bar anyone from higher training at a later time. Secondary education was broadened and reformed to allow a greater range of choices and opportunities. University education was expanded and distributed more equally across the country, its control was democratized, and access to it was widened.

Primary and Secondary Education

The School System Act, passed in 1968, abolished the two-track elementary school system and replaced it with a single comprehensive school with a nine-year course of studies. The new school was uniform throughout the country and was compulsory for all children between the ages of seven and sixteen. Children in Finland began school at a later age than those in many other countries because of the distances some of them had to travel in sparsely settled areas. Private schools also were gradually incorporated into the system, which was fully in place by the late 1970s.

The school program was broken into two stages: a lower level for the first six grades and an upper level for grades seven through nine (see fig. 13). In some areas there was a voluntary tenth year. The school year began in the second half of August and ended in early June, with a two-week break at Christmas and a one-week break both in the winter and at Easter. The pre-school system was directed by the Ministry of Social Affairs and Health. In the mid-1980s, this system was able to accommodate only one-third of the children of the relevant age-group.

Instruction at comprehensive schools was free, as were books, a daily hot meal, transportation, and even lodging for those students who lived too far from a school to manage a daily commute. Efforts were made to ensure that the quality of instruction did not vary and that children in Lapland were as well instructed as those in Helsinki. In bilingual communities, children had the right to instruction in their own language. Children also had the right to classes in their own religion, unless there were too few students

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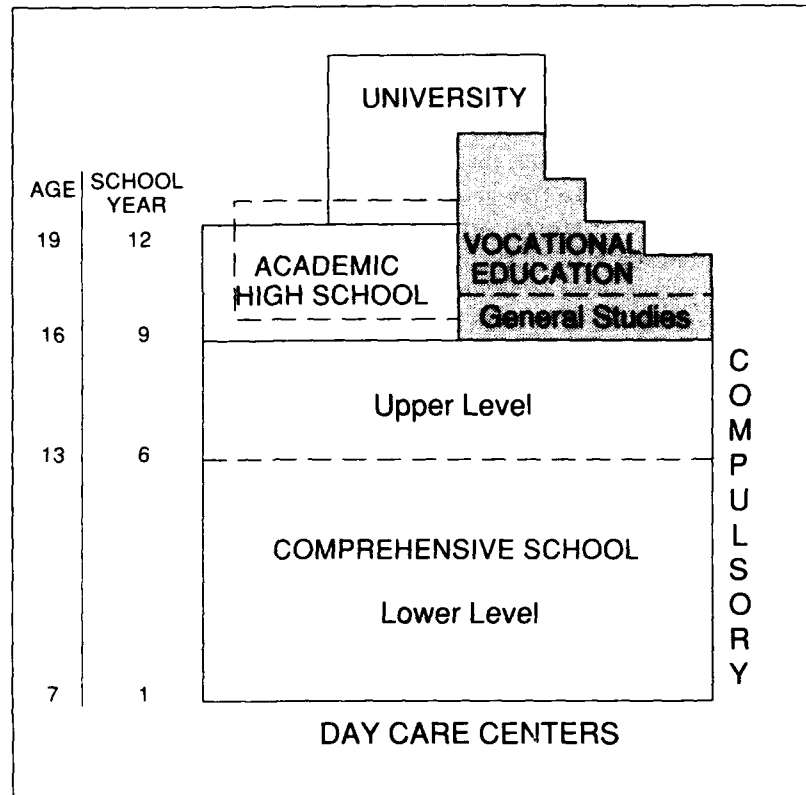


Figure 13. Education System, 1980s

of a particular religion to make this practicable, or they could be excused from religious instruction. If at least five students had no religion, an alternative nonreligious course was obligatory. Schools were not divided according to sex.

After graduation from a comprehensive school, students continued their education at either vocational schools or the more demanding vocational institutes, or at the academically oriented secondary schools. During the 1980s, a slight majority of students chose vocational training to prepare them for one or more of several hundred commercial and technical occupations. Some 60 percent of these students attended two-year to three-year courses at vocational schools, while the remainder enrolled in four-year to five-year courses at vocational institutes that led to careers in highly skilled fields or to management and planning positions. Students at the academic high schools had to pass an examination, after

three years of study, before they could attend a university. Fewer than half passed this examination, and only about one-fourth of those successful managed to secure places at universities. Although the academic high school was the most common route to a university in the 1980s, an increasing number of places there were being held for graduates of vocational institutes.

The schools' curricula were set by law, and their content was determined at the national level by the Ministry of Education, the National Board of General Education, and the National Board of Vocational Education. Local authorities, however, had some say about how they would be taught. Language instruction accounted for one-third of teaching time in comprehensive schools and for somewhat more in secondary schools. In the third grade, children began taking a second language, usually Finnish for Swedish speakers and English for the others. Sciences and mathematics accounted for about 30 percent of teaching time at the comprehensive level and for somewhat less at academic schools at the secondary level, while social and humanistic courses accounted for 12 percent in the former and 18 percent in the latter. Comprehensive schools spent one-fourth of their time on art, physical education, and related courses, while secondary schools accorded them a little less than one-fifth of their time. The courses vocational schools offered varied greatly because of the wide variety of material taught. After the first year of general courses, most instruction was connected directly with the chosen specialty.

Since the late 1970s, all teachers in the comprehensive and secondary schools have been obliged to have a university degree. Two art academies and eight universities provided teacher education. Vocational teachers, given the wide variety of courses they taught, could sometimes substitute occupational experience for university training. Teachers of the first six years of comprehensive school functioned as class teachers rather than as subject specialists and were required to have a Master of Education degree, while their colleagues in the upper levels needed a master's degree in the subject they had chosen to teach. Although selection criteria for places in teacher training were stringent (only 10 percent of applicants were accepted), Finland had enough teachers to allow classes in the comprehensive system to average about thirty pupils; classes in the secondary schools averaged about twenty pupils. In sparsely populated areas, however, it was sometimes necessary to form classes with pupils of different ages and grade levels.

Special education generally was accomplished within regular schools. This practice was in consonance with the overall policy of avoiding "tracking," which was seen to limit a pupil's range

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of educational opportunities by placing him or her at a particular level of instruction. An attempt was made to keep all members of a class together and to address special needs through individual counseling and tutoring. This principle reflected the overriding goal of having an open and flexible school system that matched individual qualities and aspirations.

Higher Education

In the late 1980s, Finland's system of higher education consisted of ten universities (each with at least several different faculties), seven one-discipline institutions with such specialties as technology or business administration, and three art academies. The largest, the University of Helsinki, was founded in 1640. The remainder date from the twentieth century; the newest, the University of Lapland at Rovaniemi, from 1979. During the mid-1980s, there were about 90,000 students at institutions of higher education. Competition for acceptance for university-level study was intense, and fewer than one out of four applicants obtained a place. There were no private universities in Finland.

By the late 1980s, institutions of higher learning were granting three degrees: a master's degree that required from four to six years of study; a graduate degree, the licentiate, requiring another two years of study; and the doctorate, awarded usually after four years or so of graduate study. A candidate did not have to obtain the licentiate to be awarded the doctorate.

Like the country's primary and secondary schools, Finnish universities were free. To help with living expenses, however, students who were enrolled in secondary schools and at universities were entitled to financial aid by the Study Allowances Act of 1972. By the 1980s, more than half the student body at these institutions received aid in the form of allowances or low-interest loans.

Institutions of higher learning had about 7,000 instructors altogether in the 1980s. Academic freedom was ensured through a tenure system that protected most of this number from dismissal. The institutions themselves were under the overall direction of the Ministry of Education, but they enjoyed considerable internal autonomy. The autonomy of the University of Helsinki was even guaranteed by the Constitution of 1919. The trend toward greater internal democracy had also touched Finnish universities, and by the late 1980s professors were sharing much of their former power with other faculty members, university staff, and students.

An area of future growth in Finnish education was expected to be that of supplementary education at the university level. No degrees were to be granted, but much greater access to



*Main reading room of library, University of Helsinki
Courtesy Embassy of Finland, Washington*

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university resources was to be offered to those wishing to deepen their knowledge of a particular field either for professional reasons or for personal pleasure. It was estimated that, by the early 1990s, one-tenth of university teaching would occur in an open-university-like forum.

Adult Education

Finland had a long tradition of adult education, and by the 1980s nearly one million Finns were receiving some kind of instruction each year. Forty percent of them did so for professional reasons. Adult education appeared in a number of forms, such as secondary evening schools, civic and workers' institutes, study centers, vocational course centers, and folk high schools. Study centers allowed groups to follow study plans of their own making, with educational and financial assistance provided by the state. Folk high schools were a distinctly Nordic institution. Originating in Denmark in the nineteenth century, folk high schools became common throughout the region. Adults of all ages could stay at them for several weeks and take courses in subjects that ranged from handicrafts to economics.

Public Welfare

In the late 1980s, Finland had one of the world's most advanced welfare systems, one that guaranteed decent living conditions for all Finns. Created almost entirely during the first three decades after World War II, the system was an outgrowth of the traditional Nordic belief that the state was not inherently hostile to the well-being of its citizens, but could intervene benevolently on their behalf. According to some social historians, the basis of this belief was a relatively benign history that had allowed the gradual emergence of a free and independent peasantry in the Nordic countries and had curtailed the dominance of the nobility and the subsequent formation of a powerful right wing. Finland's history has been harsher than the histories of the other Nordic countries, but not harsh enough to bar the country from following their path of social development.

Growth of the Social Welfare System

In the last years of the nineteenth century, Finnish social policy had as its goal a lessening of class friction. The few existing pieces of social legislation addressed the needs of specific groups rather than of society as a whole. After the Civil War, little was accomplished in welfare legislation. A woefully insufficient national pension plan was set up in 1937, as were measures to aid needy mothers.

It was only after World War II that Finnish social policy acquired the characteristics that in the next decades made it similar to other Nordic systems of social welfare.

According to Finnish sociologist Erik Allardt, the hallmark of the Nordic welfare system was its comprehensiveness. Unlike the welfare systems of the United States or most West European countries, those of the Nordic countries covered the entire population, and they were not limited to those groups unable to care for themselves. Examples of this universality of coverage were national flat-rate pensions available to all once they reached a certain age, regardless of what they had paid into the plan, and national health plans based on medical needs rather than on financial means. In addition, the citizens of the Nordic countries had a legal right to the benefits provided by their welfare systems, the provisions of which were designed to meet what was perceived as a collective responsibility to ensure everyone a decent standard of living. The Nordic system also was distinguished by the many aspects of people's lives it touched upon.

The Finnish welfare system differed from those of other Nordic countries mainly in that its benefits were lower in some categories, such as sickness and unemployment payments; otherwise, the Finnish system fit into the Nordic conception of social welfare. Finnish social expenditures constituted about 7 percent of the country's gross domestic product (GDP—see Glossary) in 1950, roughly equal to what Sweden, Denmark, and Norway were spending. By the mid-1980s, Finland's social expenditures had risen to about 24 percent of GDP, compared with the other countries' respective 35, 30, and 22 percent (see table 9, Appendix A). Less than 10 percent of these expenditures was paid for by Finnish wage earners; the remainder came roughly equally from the state and from employers. Until the second half of the 1970s, Finnish employers had paid a higher share of social outlays than had their counterparts in the other Nordic countries. In response to the slowdown of the world economy after 1973, there was some shifting of social burdens to the state, which made Finnish companies more price competitive abroad.

Finland's welfare system also differed from those of its neighbors in that it was put in place slightly later than theirs, and it was only fully realized in the decade after the formation of the Red-Earth government in 1966 (see *Finland in the Era of Consensus, 1966-81*, ch. 1). Just after World War II, the Finns directed their attention to maternal and child care. In 1957 the government established an improved national pension plan and supplemented it in the early 1960s with private pension funds. Unemployment

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aid was organized in 1959 and in 1960, and it was reformed in 1972. Legislation of the 1950s and the 1960s also mandated the construction of a network of hospitals, the education of more medical personnel, and, from 1963 to the early 1970s, the establishment of a system of health insurance. The housing allowance system expanded during the 1960s to reach ever-widening circles of the population. Health-care officials turned away from hospital care in the 1970s, and they began to emphasize the use of smaller local clinics. By the 1980s, the Finnish welfare system was up to Nordic standards and had the support of most Finns. All major political parties were committed to maintaining it, and its role in Finnish society seemed secure for the coming decades.

Organization of the Welfare System

In the late 1980s, the Ministry of Social Affairs and Health directed the welfare system through five departments: social insurance, social welfare, health care, temperance and alcohol policy, and labor. According to Finland's administrative tradition, it is the task of a ministry and its departments to determine policy, which is then administered by central boards. In the case of social policy, there were three central boards for social welfare, health, and labor protection. An exception to this administrative division was the Social Security Institute, which supervised the national pension plan and health insurance for the Eduskunta and the Council of State.

The actual supplier of social care was local government—the municipality—supervised by authorities at the provincial level who had to approve the administrative plans of municipalities before these local governments could receive funds from the state. In the early 1980s, funds from the state made up about 30 percent of the monies spent on all social services and pensions, while employers supplied about 40 percent; local governments, 15 percent; and the recipients of services, the remainder.

Income Security Programs Classified as Social Insurance

Finland, like the other Nordic countries, divided most of its social programs into those that guaranteed income security and those that provided social and health services. Income security programs came in two categories: social insurance, which provided income despite old age, illness, pregnancy, unemployment, or work-related injuries; and income security classified as welfare, which consisted of income transfers to aid families through measures such as child payments, maternity grants, payments to war victims and their survivors, and financial aid to those afflicted by disability or pressing

needs. Programs of the first category, income security guarantees, took some 80 percent of the funds expended for social welfare (see table 10, Appendix A).

National Pension Plan

Finland's first national old-age pension plan dates from 1937, but it was so poorly funded that a new National Pensions Act was put into effect in 1957. In the late 1980s, this law, somewhat reformed, was still the basis of Finland's National Pension Plan, which was open to all residents over the age of sixteen, even to those who had never paid into it. Even those foreigners not from the Nordic countries were entitled to this pension if they had resided in Finland for at least five years. Those who left for residence in a country outside Nordic Europe, even those who were Finnish citizens, could receive the pension for only one year. The flat-rate national pension could be paid as an old-age pension, once a person reached the age of sixty-five; as an invalidity pension (either full or partial) to those between the ages of sixteen and sixty-four who were no longer able to work; or, in some cases, to the long-term unemployed who were in their late fifties or early sixties. In addition to these classes of beneficiaries, survivors of those eligible for national pensions who were not themselves eligible for the pensions could receive pensions under the terms of the Survivor's Pension Plan. Also tied to the National Pension Plan were payments for handicapped children living at home and for some combat veterans of World War II.

Payments of the national pension were uniform for everyone; in the mid-1980s, they amounted to Fmk334 (for value of the Finnish mark—see Glossary) a month. To this amount were added the assistance payment, which varied according to a pensioner's marital status, the cost of living in his or her locality, and other pensions that he or she received. Other supplementary payments could be made for dependent children, for degree of disability, and for housing costs, as well as for veterans of the Civil War and of World War II. In the mid-1980s, the supplemental payment to a single pensioner could range from Fmk1,362 to Fmk1,436 a month. The supplement for each child amounted to Fmk181, and housing supplements varied according to housing costs but could amount to as much as approximately Fmk1,000. Helplessness supplements could be worth up to about Fmk400, depending on the age and the physical state of the pensioner. National pensions were indexed, and they increased in value each year. Since reforms of the early 1980s, national pensions were not taxable if they were the sole source of income. Pensions were no longer affected by a spouse's earnings

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or pension income, and the national pension could only be reduced by income from other pensions. The National Pension Plan was funded by the beneficiary's own contributions, about 2 percent of his or her locally taxable income, and by employer contributions of 4 to 5 percent of the insured person's wages.

Employee Pension Plans

The Employees' Pensions Act was passed in 1961 to supplement the National Pension Plan, which, while adequate for Finns living in the countryside—a majority of the population until the 1960s—did not provide enough benefits for city dwellers. During the next decade, other compulsory wage-related pension plans were enacted into law for temporary employees, for national and local government employees, for those working for a state church, and for the self-employed. At the end of the decade, a supplementary plan was created for farmers as well. Seamen had had an income-based plan since 1956, and, as of 1986, those active in free-lance professions such as acting and writing also obtained coverage. These employment pension plans were completely funded by the employers, private or public, who paid contributions, equal on the average to about 10 percent of a worker's earnings, into funds managed by seven large insurance companies or who set up funds on their own. Self-employed persons had to choose a fund. The Central Pension Security Institute was responsible for keeping records about employment and benefits.

The normal age of pensionable retirement was sixty-five, and the pension paid was based on the average earnings one had received in the last four years of work ending two years before retirement. One could receive up to 60 percent of private-sector earnings and up to 66 percent of public-sector earnings. The average wage-related pension in the mid-1980s was about Fmk1,000 per month. Older employees, at work before these pension plans became effective, were guaranteed a minimum pension of at least 29 percent if they retired before 1975, and 37 percent if they retired after this date. Like the national pension, wage-related pensions were indexed, and they increased each year. In addition, there were provisions relating to disability, early or late retirement, and survivors' benefits similar to those in effect for the National Pension Plan.

Sickness Insurance

The Sickness Insurance Act of 1963 introduced health insurance to Finland in two stages. First, beginning in 1964 it provided payments when wages were lost because of illness or maternity leave and payments for the cost of treatment and medicine. Three years

later, it began paying doctors' bills as well. Until the act went into effect, only a small minority of the population, generally those employed by large firms, had medical insurance.

All persons resident in Finland for more than a short time were eligible for benefits. Foreigners had to register with the local health authorities to receive payments. In the 1980s, the daily payment made to make up for losses of income due to illness averaged about 80 percent of a typical wage and could last for as many as 300 work-days. Highly paid individuals received less. Hospital care in public hospitals was generally free, and other compensation amounted to 60 percent of doctors' fees, 75 percent of laboratory expenses, and 50 percent of medicine costs. In the mid-1980s, dental care was free for anyone born after 1961, but for others it was paid only if dental problems had to be treated to cure a disease. Maternity leave payments amounted to about 80 percent of income for about one year, and could begin five weeks before the estimated date of the birth. Fathers could take some of this time, with a corresponding cut in the days allowed to the mother. Sickness insurance was funded by the recipients themselves through their payment of about 2 percent of their locally taxable income, by employers who paid a contribution of about 1 percent of the employee's wages, and by the state.

However generous these benefits appeared in an international context, medical fees had increased in the 1970s and the 1980s, and government compensation rates had not kept pace. Rates increased by 25 percent in 1986, but not enough according to some critics. Those who pressed for government relief believed it necessary even though public medical care, which constituted the bulk of medical care in Finland, was already highly subsidized and hence rather cheap compared with many other countries.

Unemployment Insurance

The Unemployment Security Act of 1984 reformed the unemployment assistance system that had been gradually worked out to deal with the persistent problem of unemployment in Finland (see Employment, ch. 3). The act arranged for coverage of all unemployed between the ages of seventeen and sixty-four, resident in Finland, whose income came from wages earned doing work for another person or legal entity. A person had to be in need to receive payments under the terms of the act and could be disqualified because of a spouse's earnings. The self-employed, full-time students, and people receiving pensions or maternity allowances were not eligible, nor were those who were unemployed because of illness, injury, or handicap, or who had quit work voluntarily,

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who had lost work because of labor disputes, or who had refused to accept employment.

In the mid-1980s, those eligible for unemployment benefits received them in two ways. A basic daily allowance of Fmk70 went to any person looking for employment. This allowance was means-tested, and the income of a spouse could disqualify a potential beneficiary. The allowance lasted as long as the recipient was unemployed. Those unemployed who were members of an unemployment fund (80 percent of Finns were) and who had worked for at least twenty-six weeks in the preceding two years were eligible for more substantial benefits amounting to the daily basic allowance plus 45 percent of the difference between their daily wage and the basic allowance. After 100 days the payment was reduced by 20 percent. Beneficiaries of the income-related allowance could receive it for 500 days in a 4-year period. Workers in their late fifties and older who had been unable to find work could be granted an unemployment pension equal to a disability pension until they reached the age when they would be eligible for an old-age pension. Unemployment benefits were administered by the Social Security Institute. The basic allowance was completely financed by the state. Employers and the state funded equal shares of 95 percent of the income-related payments and the beneficiary was responsible for the remaining 5 percent.

Workmen's Compensation

An employee who suffered work-related injuries was financially protected through payments that covered medical and rehabilitation expenses and fully matched his or her wages. If injuries resulted in permanent disability, the worker could receive payments amounting to 85 percent of his or her wages for total disability. Survivors were eligible for pensions, as well as a sizable funeral grant. This compulsory program was entirely funded by the employer.

Income Security Classified as Welfare

In addition to the above benefits that were classified as income security in the form of social insurance, there were income security programs classified as welfare. One of the differences between the two classes of social programs was that the welfare measures were financed mostly through taxes, whereas social insurance programs were paid for by employers and employees. This second category of income security also consisted of payments to those eligible. The most important and expensive class of these benefits involved payments to families with children. Other programs assisted those who had suffered war injuries and their dependents, provided financial

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aid to those called up for military service and to their families, made payments to the handicapped that helped them earn their living, and provided living allowances that were the last resort of those unable to earn their way.

Family Aid

Financial aid to families with children came in the form of child allowances, child care and maintenance allowances, and maternity benefits. Child allowances dated from the 1930s, and they were one of the oldest parts of the welfare system. The law in force in the late 1980s was the Child Allowance Act of 1948, which arranged for payments to parents for all children under the age of sixteen and resident in Finland, regardless of the wealth or nationality of the parents. By the mid-1980s, payments for the first child were a little more than Fmk2,000 a year, with payments increasing to Fmk4,800 for the fifth and additional children. Another payment of about Fmk1,200 was made for children under the age of three. Child-care allowances had been paid since the 1970s to those parents who stayed at home to care for small children or who had engaged someone else to do so. A child maintenance allowance of as much as approximately Fmk400 a month was paid when a court-ordered maintenance payment for a child of divorced parents was not being paid. A maternity benefit, based on legislation of the 1930s, was paid for each pregnancy. It came either as a grant of about Fmk500 or as a much more valuable set of materials needed to tend a child. It was withheld if the mother did not visit a clinic by the fifth month of pregnancy.

Welfare Services

In addition to the above measures that involved financial payments to achieve social ends, the system of social care provided welfare services. By the mid-1980s, some 90,000 state and local employees were using about 5 percent of Finland's gross national product (GNP—see Glossary) to deliver a wide variety of social services under the overall direction of the Ministry of Social Affairs and Health. The expansion of the welfare system in the 1960s and the 1970s had caused the number of social workers roughly to triple between 1970 and 1985. Since 1981 workers entering the field had been required to have university training.

National government subsidies of from 30 to 60 percent of costs had the goal of making social services uniform throughout the country, so that residents of even the most isolated community had the same range of services as were offered in Helsinki, though this aim was not always met. Social services were usually free, and they

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were available to anyone who wanted them, irrespective of the recipient's income. Information furnished to social workers was confidential and could not be released, even to another government agency. The ultimate aim of welfare services was to increase the quality of life and the independence of the client so that welfare services were no longer needed.

The Social Welfare Act of 1982 replaced some older laws; it charged local government with providing such social services as general and family counseling and with making housing available to those needing it, most notably the aged and the infirm, troubled youth, and alcoholics. The law detailed local responsibilities for assigning specialists to assist persons living at home but no longer fully able to take care of themselves and for maintaining institutions for persons, be they aged, mentally handicapped, or addicted, whose afflictions were so serious that they could no longer live at home.

Child-Care Services

A law with far-reaching effects was the 1973 Child Day Care Act, which stipulated that all local governments were to provide good child day care for all families that desired it. The care for children up to seven years of age could be given either in day-care centers, sometimes private but generally run by local governments, or by accredited baby-sitters, either at the child's home or outside it. Although the number of places for day care had more than doubled to 100,000 by the mid-1980s, it would have had to double again to meet total needs. A 1985 law set the goal of being able to allow, by 1990, all parents of children up to the age of three the choice between home-care payments or a place for their child in a day-care center. One parent could also take unpaid employment leave until the child's third birthday. The Child Welfare Act of 1983 enjoined local governments to look after children, and it empowered them to take a variety of measures if a child was being seriously neglected or abused. In the mid-1980s, about 2 percent of Finnish children were affected by this law. Another 1983 law made the corporal punishment of children illegal, as it was in the other Nordic countries.

Services for the Disabled

The Welfare of the Disabled Act of 1946 set the responsibilities for treatment of the physically handicapped. The institutions that offered housing, occupational training, sheltered working environments, and physical rehabilitation were overseen by the National Board of Social Welfare, while about a score of schools for



*View of Turku (Åbo), Finland's third largest city, with the Aura River
in the foreground; in the background, Turku Cathedral
Courtesy Embassy of Finland, Washington*

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handicapped children unable to attend ordinary schools was supervised by the National Board of Schools. Special equipment, like prostheses, was supplied at no cost, as were such services as the adaptation of living areas. In the late 1980s, there were some 30,000 mentally handicapped Finns, 10,000 of whom received welfare ranging from living accommodations in an institution to day-center care or jobs in sheltered workshops. There were not enough places to accommodate all the mentally disabled properly, so some were placed in private homes or in retirement homes.

Services for Substance Abusers

The Welfare for Intoxicant Abusers Act of 1985 dealt mainly with alcoholism, as it was the only serious problem of substance abuse in Finland in the late 1980s. Finnish society had traditionally not seen alcohol as a part of daily life, but rather as something consumed on special occasions and then to the point of intoxication. Medical evidence of this harmful habit was that the Finnish incidence of death by acute alcohol poisoning was seven times that of Sweden and twenty times that of Denmark. Because of its troubled relationship with alcohol, the country enforced prohibition from 1919 to 1931. A later measure against alcohol consumption was a 1976 law that banned liquor advertisements in most publications. Another measure increased the cost of alcohol by taxing it heavily, so much so that by the mid-1980s liquor taxes were an important source of state revenues.

In the 1980s, there were still many abstainers in Finland who had moral objections to alcohol use, in contrast to the small minority of drinkers who accounted for more than half of total national consumption. In the late 1960s, a relaxation of the rules for the purchase of alcohol had as its goal a lessening of drink's glamorous appeal because it was, in a sense, forbidden. This policy may have backfired when sales of beer in grocery stores and the availability of hard liquor at more restaurants caused alcohol consumption to more than double within a decade. Since the mid-1970s, however, analysts of Finnish alcohol use have seen consumption rates level off and drinking habits become more moderate. Although the number of abstainers had dropped sharply in the postwar period, causing some sociologists to refer to Finns who became adults in the 1950s and the 1960s as "the wet generation," alcohol was gradually coming to take a more ordinary place in everyday life.

The Ministry of Social Affairs and Health had a special department concerned with substance abuse, the Department of Temperance and Alcohol Policy, that formulated welfare plans and

directed the State Alcohol Monopoly responsible for the manufacture, importation, and sale of alcohol. Local authorities provided a variety of facilities for alcoholics—including clinics, half-way houses, and emergency housing open twenty-four hours a day that offered withdrawal treatments. When necessary, alcoholics could be confined against their will, but this practice was less common in the late 1980s than it had been previously. State welfare was supplemented by private and voluntary associations, such as Alcoholics Anonymous.

Health System

By the second half of the 1980s, Finns enjoyed a standard of health fully comparable to that of other highly developed countries. If health standards did not match those of Finland's Nordic neighbors in all areas, it was because Sweden, Denmark, and Norway were the world's leaders in health care. Finland had made remarkable progress, however, and was rapidly catching up. In one major area, the prevention of infant mortality, Finland led the world in the mid-1980s: it had the world's lowest infant mortality rate.

Development of the Health System

Since becoming an independent state in 1917, Finland has managed to deal with the "traditional" health problems. The most important cause of death in the nineteenth century, pulmonary tuberculosis, was brought under control by means of a network of tuberculosis hospitals built between the world wars. Smallpox and pneumonia have also ceased to be serious problems. With the aid of the vaccination law passed in 1952, the fight against communicable diseases was largely won. In 1980, for example, there were no deaths from common diseases of this type. By the mid-1980s, no cases of diphtheria had been registered in Finland for several decades, and, with the exception of a mini-epidemic of seven cases in 1983–84, poliomyelitis also had disappeared. An emphasis on hospital construction in the 1950s and 1960s brought the ratio of hospital beds per capita up to international norms, and new medical training centers more than doubled the number of physicians between 1970 and the mid-1980s (see table 11, Appendix A). The passage of the Sickness Insurance Act in 1963 and frequent expansion of its coverage meant that good medical care was available to everyone. Later legislative measures, such as the Primary Health Care Act of 1972, or the Mental Health Act of 1978, aimed at moving health care from large centers, increasing the amount of preventive treatment at smaller local facilities, and favoring out-patient care when possible. Finnish health authorities

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believed, even in the late 1980s, that care of this kind could be more flexible, humane, and effective and could also check cost increases. Despite this policy innovation, however, social expenditures on health had increased ten-fold in real terms since the early 1950s.

Organization of the Health System

Health care was directed by the Ministry of Social Affairs and Health and was administered by the National Board of Health. In accordance with government practices, the ministry decided policy, and the national board determined how it would be administered. Actual delivery of care was the responsibility of local government, especially after the Primary Health Care Act of 1972, which stipulated that the basis of medical treatment should be the care offered in local health clinics. Previously, the emphasis had been on care from large regional hospitals.

The 1972 law resulted in the creation of about 200 local health centers each of which served a minimum of 10,000 persons. As municipalities varied greatly in size, small ones had to unite with others to form health centers, while about half the centers were operated by a single municipality. Centers did not necessarily consist of a single building, but encompassed all the health facilities in the health center district. With the exception of some sparsely settled regions, people were usually within twenty-five kilometers of the center charged with their care.

A basic aim of the 1972 law was to give all Finns equal access to health care, regardless of their income or where they lived. Because most services of health centers were free, subsidies from the national government were required to augment the financial resources of municipalities. The subsidies varied according to the wealth of the municipality and ranged roughly from 30 to 65 percent of costs. By the mid-1980s, about 40 percent of the money spent on health went for primary care, compared with 10 percent in 1972.

Health care centers were responsible for routine care such as health counseling, examinations, and screening for communicable diseases; they also provided school health services, home care, dental work, and child and maternal care. Most health centers had at least three physicians and additional staff at a ratio of about eleven per physician. Because of the high level of their training, nurses performed many services done by physicians in other countries. Most centers had midwives, whose high competence, combined with an extensive program of prenatal care, made possible Finland's extremely low infant mortality rate in the mid-1980s, the world's best at 6.5 deaths per 1,000 births.

Once it was established that a health problem could not be treated adequately at a center, patients were directed to hospitals, either to one of about thirty local hospitals with some degree of specialization, or to one of about twenty hospitals, five of which were university teaching hospitals, that could offer highly specialized care. In addition, there were institutions with a single concern, such as the sixty psychiatric hospitals, and others that dealt with orthopedics, epilepsy, rheumatism, or plastic surgery. Given the great drop in the incidence of tuberculosis in Finland, the country's dozen sanatoria were gradually being taken over for other purposes. Hospitals were usually operated by federations of municipalities, as their maintenance was beyond the power of most single municipalities. By the mid-1980s, the country's public hospitals had about 50,000 beds, and its 40-odd private hospitals had roughly 3,000. There were another 20,000 beds for patients at health centers, homes for the elderly, and other welfare institutions.

Health Problems

By the late 1980s, Finland's health problems were similar to those affecting other advanced countries. The most common causes of death in Finland were, first, cardiovascular diseases, followed by neoplasms (malignant and benign), accidents, poisonings, trauma from external causes (including suicides), and, lastly, diseases of the respiratory system (see table 12, Appendix A). The mortality rate from cardiovascular diseases was among the world's highest for both sexes, but it was especially high for middle-aged males. A national diet rich in fats was seen by medical specialists as a cause of the prevalence of coronary illnesses.

Despite its location on the periphery of Europe, Finland was also affected by the spread of acquired immune deficiency syndrome (AIDS), but not to a serious degree. As of late 1988, only 32 cases of AIDS had been reported, and 222 persons had been found to be infected with the human immunodeficiency virus (HIV), although health officials believed there might be as many as 500 HIV-positive cases in all of Finland. Reasons for the slight presence of this health problem were the low frequency of drug use and prostitution, an aggressive and frank public education campaign, and the trust Finns felt for the national health system, which led them to adopt practices it recommended.

The most striking of all Finnish health problems was the high average mortality rate for males once they reached adulthood, which contributed to an average longevity in the mid-1980s of only 70.1 years compared with 73.6 years for Swedish males. In the second half of the 1970s, Finnish males over the age of twenty were

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one-third more likely to die by their sixty-fifth birthday than their Swedish neighbors. Cardiovascular diseases struck Finnish men twice as often as Swedish men. The three other chief causes of death were respiratory illnesses at twice the Swedish rate, lung cancer at three times the Swedish rate, and accidental or violent death at a frequency 50 percent higher than the Swedish figure. Health authorities have attributed the high mortality rates of the Finnish male to diet, excessive use of tobacco and alcohol, disruption of communities through migration, and a tradition of high-risk behavior that is particularly marked in working-class men in eastern Finland.

Mortality rates for Finnish women, with the exception of women over sixty-five, compared well with those of the other Nordic countries. A reason for this discrepancy between Finnish and other Nordic older women was the higher Finnish incidence of coronary problems, which occur later in women than in men. In the mid-1980s, Finnish women lived an average of 78.1 years, compared with 79.6 years for Swedish women. Except for coronary illnesses, of which Finnish women died 50 percent more often than their Swedish counterparts, the other causes of Finnish female mortality matched those of Sweden. In some cases, cancer and respiratory diseases for example, Finnish women had an even lower rate of incidence.

National efforts to improve living habits have included campaigns against smoking, restraints on the consumption of alcohol, and better health education in schools. One program that has been widely studied by international health officials was one implemented in the province of Pohjois-Karjala that aimed at reforming dietary habits in a region particularly hard hit by coronary illnesses. Finland was also a participant in the World Health Organization's program Health for All by the Year 2000 and was its European reporting nation.

Living Conditions

By the 1980s, Finland enjoyed one of the highest living standards in the world. It ranked eighth in the world with regard to per capita GDP, just behind the Federal Republic of Germany (West Germany) and slightly ahead of Canada. When measured against other countries, it almost invariably ranked among the world's best, whether economic, social, medical, educational, or political criteria were being applied. Finns were as surprised as they were pleased by this excellence, because for much of its history Finland had been poor and backward. Evidence of this could be found



*View of Tapiola, a planned community outside of Helsinki
Courtesy Embassy of Finland, Washington*

in the national anthem, which declared that Finland would always be poor.

However wealthy Finland had become since the 1960s, observers noted some shortcomings. In addition to the problem of relatively high mortality and the need for a more comprehensive child-care system, Finland faced serious environmental issues. Another long-standing problem was the standard of housing. Although improvements had occurred since the 1950s, thirty years later Finns were still not so well housed as their Nordic neighbors.

Protection of the Environment

Although Finland had a very low population density and was famed for its many areas of nearly untouched nature, it had not been spared environmental pollution. Some of this came from neighboring countries, such as the dose of radiation it received after the accident at the Chernobyl Nuclear Power Plant in the Soviet Union in 1985. In this case, there was little damage because the radiation fell too far south to harm reindeer herds and fell too early to contaminate grasses and vegetables that have a late growing season because of Finland's long winter.

Domestic sources also contributed significantly to the country's problems with environmental pollution. The exceptionally strong growth rate of an economy based to a considerable degree on

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energy-intensive industries was a factor, as were the fertilizer-dependent agricultural sector and the wood-processing plants that, between them, contributed much to the pollution of Finnish rivers and groundwater. By the 1980s, Finland registered considerably higher sulfur and nitrogen emissions than other West European and Nordic countries, and its discharge of oxidizable matter into water was three times the average of the members of the Organisation for Economic Co-operation and Development (OECD—see Glossary).

Finnish efforts to protect the environment began in the 1920s with the Nature Conservation Act of 1923, which allowed the establishment of nature preserves if they were needed. Since then there have been many laws covering different aspects of environmental protection, including water purity, control of poisons and pesticides, establishment of an oil pollution fund, waste management, prevention of marine and air pollution, and reduction of noise.

An attempt to protect the environment more thoroughly was evident in the formation of a ministry specifically pledged to this task. Established in 1983, the Ministry of Environment had four departments, employing about 250 persons in all. One department dealt with administrative matters, while the other three were concerned with environmental protection and nature conservation, physical planning and building, and housing. In 1986 the National Board of Waters with its 1,400 employees was renamed the National Board of Waters and the Environment and was placed under the new ministry.

In the mid-1980s, Finns were concerned about the environment, and a study found that only 11 percent of them would place economic growth above protection of the environment. Many believed ecological conditions were worsening. A 1983 poll found that only 31 percent of those questioned—compared with 57 percent in 1973—believed their country's environment to be very good or excellent. Another indication of Finns' concerns was the birth in the early 1980s of a new political party, the Greens, which was remarkably successful in elections (see *Smaller Parties and the Greens*, ch. 4). Commitment to pollution control also was seen in the portion of research money going to environmental research, which compared well with that spent by other countries. Despite these measures, there were observers in the late 1980s who contended that Finnish efforts in this area needed further improvement.

An OECD study published in 1988 held that, despite improvements, Finland still did not have an adequate environmental program. There was still no single law relating to the environment,

and different ministries often did not consult sufficiently with one another about the ecological impact of their plans. Despite the existence of excellent statistics about damage to the environment, decision makers were often not well informed about them. Also lacking, according to the OECD report, was a sufficient assessment, when making plans for economic development, of the real costs of pollution. Recommended for a more economical defense of the environment were an exact consideration of these costs and an increased use of the "polluter pays" and "user fees" principles. The report noted, too, that many local authorities lacked the expertise to deal properly with ecological decisions; moreover, because they were suspicious of the power of provincial-level and national-level officials, they were reluctant to cooperate fully with them.

Housing

As part of its overall responsibility to supervise the nation's environment, the Ministry of Environment was charged with overseeing what kinds of buildings and housing Finns worked in and lived in, arranging remedies for existing deficiencies, and guaranteeing adequate conditions in the future. Two of the ministry's four departments, the Physical Planning and Building Department and the Housing Department, were created specifically for these tasks. In addition, the National Board of Housing, which had been created in 1966 to organize the state's administration of housing, was made subordinate to the ministry in 1986.

Efforts to improve the housing of workers began in the nineteenth century, as did arrangements for low-interest mortgages. The 1920s saw the passage of the Housing Corporation Act and the establishment of the Housing Mortgage Bank. It was only after World War II, however, that significant measures were undertaken to subsidize housing through what is known as Arava legislation. These laws were brought together in 1953 by the Housing Production Act, which became the basis of housing policy and which helped to foster the tremendous construction surge of the next two decades.

By the 1980s, it was estimated that about 75 percent of Finnish residential dwellings of all types had been constructed since World War II. For some types of dwellings the figure was even higher. For example, some 70 percent of apartments were built after 1960. Migration, whether voluntary or not, and an upsurge in population growth had made this construction necessary. Population movements during the economic boom caused the first half of the 1970s to be the period of peak construction, when as many as 70,000 units were built in a single year.

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By the first half of the 1980s, about 48,000 units were built annually. In addition to a decline in building activity, the kinds of dwellings constructed changed. In the economic boom years, about two-thirds of new dwellings were apartments, and the remainder were free-standing houses or row houses. By 1980 the ratio was reversed. In addition, by the 1980s much construction work was for renovation, and government plans called for the number of buildings restored each year to climb from 15,000 in 1980 to 60,000 by the end of the 1990s.

The construction boom meant that Finns were housed better than before. The number of dwelling units increased from 1.2 million in 1960 to 1.8 million in 1980 and gave them more room. Finnish dwellings were still rather small, however. In the 1980s, their average size was sixty-nine square meters, nine square meters more than in 1970. Much poor standard housing had disappeared during the boom years. The new dwellings had modern conveniences; by 1980 nearly three-quarters of them—compared with only one-half a decade earlier—were fully equipped with hot water, indoor plumbing, central heating, and sewer connections. Although Finnish housing was still somewhat poorer than that of the other Nordic countries, it ranked well by world standards.

About 60 percent of Finns owned their dwellings, and Finns spent, on the average, about 18 percent of their income on housing. Government housing allowances helped people of low income to keep housing expenditures within 10 to 20 percent of this income. Government housing aid came in a number of forms, and it helped people in all income brackets. Housing allowances were paid to low-income groups and to pensioners living either in their own homes or in rental units. Low-interest loans were available to people earning modest incomes who desired to own their own homes. Better-off Finns benefited from tax relief if they had mortgages.

Not all government housing policies were so popular as subsidies, low-interest loans, and tax relief, for some had unfortunate results. The housing program's most serious failure was seen in the often sterile and boring apartment house complexes and even whole suburban developments and towns that were designed and built in the postwar period to meet pressing housing needs. Some planned towns were internationally famed for the beauty of their design. An example was Tapiola, located on the outskirts of Helsinki. Many others, however, provided an ugly and inhumane environment for those obliged to live in them. Often situated far from needed services and lacking softening amenities, the bleak dormitory villages were desolate shelter for newly uprooted migrants from the countryside, and they fostered antisocial behavior, family

problems, and illnesses. In later decades, authorities applied resources to these ill-conceived residential areas with the hope of making them more hospitable.

Another problem, less serious, was a shortage of rental units. Some observers held that state rent-control policies had reduced the profits earned by landlords and hence had caused a scarcity of rental properties. The lack of available rental housing particularly affected young people, generally not yet able to purchase their own homes.

* * *

At the end of the 1980s, there was no single scholarly work in English that treated Finnish society as a whole. A number of British works from the 1960s and the 1970s treat many aspects of Finnish society, but they are out of date, and they vary considerably in quality. Of these books, the most readily available and useful is *Finland: An Introduction*, edited by Sylvie Nickels and others. The 1973 version of this work is available in an edition published in the United States. Patricia Slade Lander's *In the Shadow of the Factory: Social Change in a Finnish Community* is valuable, but it relies on fieldwork done in the late 1960s and the early 1970s. A noted student of Finland is the geographer William Richard Mead, whose books *Finland, How People Live in Finland* (written for children), *The Åland Islands* (written with S. H. Jaatinen), and *Winter in Finland: A Study of Human Geography* (written with Helmer Smeds) all contain much useful information. Wendy Hall's *The Finns and Their Country* and John L. Irwin's *The Finns and the Lapps* are intelligent and popular treatments of Finnish life.

Readers with Swedish could consult *Samhället Finland*, an essay-length work dating from 1985, by Finland's renowned sociologist, Erik Allardt. This brief survey of the developments that have transformed Finnish society in the twentieth century will give the reader an understanding of Finland as it was in the 1980s. A festschrift in his honor, *Small States in Comparative Perspective: Essays for Erik Allardt*, contains articles by leading specialists on topics such as the family in the Nordic countries, the premature mortality of Finnish males, social mobility, and the establishment of Finland's welfare system. This last subject is treated at greater length by Matti Alestalo and Hannu Uusitalo in their detailed and sophisticated article appearing in the first volume of the series *Growth to Limits: The Western European Welfare States Since World War II*, edited by Peter Flora. Matti Alestalo's *Structural Change, Classes and the State: Finland in an Historical and Comparative Perspective* provides a learned

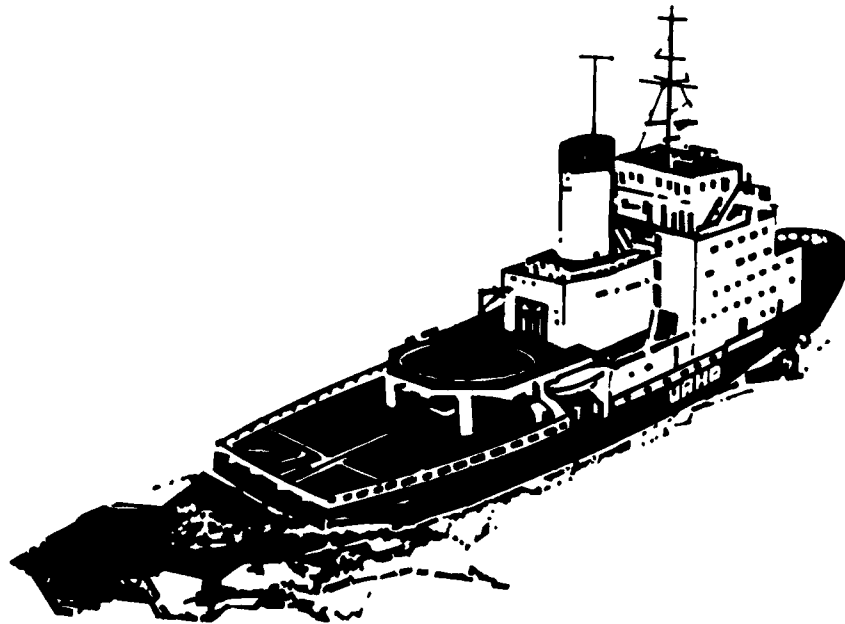
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exposition of the country's class structure. *Nordic Democracy*, edited by Erik Allardt and others, treats Nordic Europe as a whole, but it contains much information about Finnish society. The detailed bibliographies accompanying these scholarly works will guide the curious reader further.

Brochures and pamphlets published by the Finnish government in English are available from Finnish embassies around the world. These publications are quite informative about the welfare and the education systems, the role of women, and other aspects of Finnish society.

Encyclopedic in its coverage of Finland is the series of atlases published by the Finnish government's National Board of Survey. The series' excellent maps graphically convey astonishingly detailed data about many aspects of Finnish society, and they are complemented by expert articles. English translations of the articles appearing in some of the atlases are available. (For further information and complete citations, see Bibliography.)

Chapter 3. The Economy



Finnish ice-breaker at work

FINLAND'S ECONOMY PERFORMED WELL during the 1980s, allowing the Finns to enjoy widespread prosperity. After suffering the effects of depression and war during the 1930s and the 1940s, the economy started to show steady gains in about 1950. During the 1980s, the country enjoyed above-average growth, stable prices, and relatively low unemployment. Nevertheless, Finland did experience many of the problems found elsewhere in the industrial world, including high unemployment among youth, expensive agricultural surpluses, and declining industrial sectors. Moreover, certain aspects of the country's economic performance, such as serious cyclical instability, endemic industrial conflict, and difficulties in foreign trade, may have troubled Finland more than such situations disturbed other countries. Despite these problems, which required attention from policy makers and from businessmen, economists could point with pride to Finland's strong work ethic and pragmatic tradition.

In a country lacking many raw materials, the tenacious Finns had learned to make the most of scarce natural resources. Although most of the country was not arable, *farmers worked hard to keep the country self-sufficient in staple foods.* The country's forests, carefully managed to increase long-term yield, provided raw materials for the wood-processing industries, the largest earner of foreign exchange. Metals and minerals were scarce, but the country had established competitive enterprises in basic metals and in chemicals. The metalworking industry, developed largely to meet reparations payments to the Soviet Union, continued to expand during the postwar period. This industry specialized in sophisticated products, such as icebreakers and paper-making machinery, in which the Finns enjoyed a comparative advantage. Faced with a serious energy shortage after the oil crisis of 1973, the Finns embarked on a comprehensive conservation program and shifted investments toward less energy-intensive, high-technology products.

Effective policies deserved much of the credit for the country's economic successes. In the early years of the republic, the government had carried out extensive land reforms, a precondition for agricultural modernization. State-owned enterprises channeled investments into key industries, allowing the country to process its own raw materials. The crises of the depression, war, and reconstruction led to government controls that provided an essential

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framework for production. By the late 1950s, once wartime bottlenecks had been eliminated, the government chose to pursue trade liberalization and deregulation. Following this basic orientation, Finland's leaders agreed to free trade in industrial products, thus forcing the country's industries to compete and to modernize. By the late 1970s, macroeconomic policies gave priority to fighting inflation and to dampening cyclical instability. During the 1980s, government policies pursued export competitiveness, in part through favoring industrial rationalization and financial deregulation. By the mid-1980s, some economists saw Finland as the most capitalist country in Europe.

To pay for needed imports, the Finns depended on export markets in Western and in Eastern Europe. To protect those markets, Finland had pursued economic integration with both Eastern and Western Europe. The Finns maintained good commercial relations with the Soviet Union, a strategy that had paid off handsomely in the 1970s, when rising petroleum prices increased the value of trade with the East, compensating Finland for declines in Western markets. After the mid-1980s, however, as world oil prices declined, the Finns shifted toward the West, especially toward the European Community (EC—see Glossary). Although balancing close economic relations with both market-oriented and planned economies posed special challenges, Finnish traders proved adept in both environments. In the late 1980s, industry and finance sought to build on earlier successes by internationalizing their operations, often in partnership with foreign firms.

In the late 1980s, the most important economic challenge was to keep both production costs and product quality competitive in international markets. This challenge would require hard work, as well as close cooperation among government, business, and labor. The government, industry, and the universities needed to increase spending on research and the development of new technologies. The Finns would also have to limit inflationary wage increases and improve labor flexibility without worsening labor conflict. Many economists believed, however, that the prevailing consensus in favor of modernization and stable, steady growth was strong enough to allow the country to face the future with optimism.

Growth and Structure of the Economy

During the seven decades after the establishment of the republic in 1917, Finland made remarkable economic progress. At the time of the collapse of the Russian Empire in 1917, the Grand Duchy of Finland had the most backward economy in Nordic Europe. Situated at the outer edges of the spheres of influence of

the major European industrial powers—Britain, Germany, and Sweden—newly independent Finland appeared destined to remain a poor, peripheral area. By the late 1980s, however, the country had become one of the world's advanced industrial societies, the citizens of which enjoyed a high standard of living and the industries of which dominated world markets for significant high-technology products. Finland was an industrial society, but it was self-sufficient in staple foods and produced a wide range of goods and services for domestic and export markets. Although the economy still depended on exports, the Finns had developed markets in both Eastern and Western Europe, avoiding excessive dependence on any single market.

Economic Development

Material conditions were difficult at the birth of the Finnish republic. The country's industries had started to develop after about 1860, primarily in response to demand for lumber from the more advanced economies of Western Europe, but by 1910 farmers still made up over 70 percent of the work force. Finland suffered from food shortages when international trade broke down during World War I. The fledgling metal-working and shipbuilding industries expanded rapidly to supply Russia during the early years of the conflict, but the empire's military collapse and the Bolshevik Revolution in 1917 eliminated trade with the East. The Finnish civil war and the subsequent massacres of the Reds spawned lasting labor unrest in factories and lumber camps, while the plight of landless agricultural laborers remained a pressing social problem (see *Independence and the Interwar Era, 1917-39*, ch. 1).

During the immediate postwar years, Finland depended on aid from the United States to avoid starvation, but by 1922 industrial production had reached the prewar level. While trade with the Soviet Union languished for political reasons, West European, especially German, markets for Finnish forest products soon reopened. In exchange for lumber, pulp, and paper—which together accounted for about 85 percent of exports—Finland obtained needed imports, including half the nation's food supply and virtually all investment goods.

Despite political instability, the state built a foundation for growth and for greater economic independence. The first and most important step was an agricultural reform that redistributed holdings of agricultural and forest land and strengthened the class of smallholders who had a direct stake in improving farm and forest productivity. The government also nationalized large shares of the mining and the wood-processing industries. The subsequent public

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investment program in mines, foundries, wood and paper mills, and shipyards improved the country's ability to process its own raw materials. By the late 1920s, agricultural modernization was well under way, and the country had laid the foundations for future industrialization.

Although Finland suffered less than more-developed European countries during the Great Depression of the 1930s, the country nonetheless experienced widespread distress, which inspired further government intervention in the economy. Comprehensive protection of agricultural produce encouraged farmers to shift from exportable animal products to basic grains, a policy that kept farm incomes from falling as rapidly as they did elsewhere and enabled the country to feed itself better. Similar policies spurred production of consumer goods, maintaining industrial employment. As in other Nordic countries, the central bank experimented with Keynesian demand-management policies.

In the 1930s, Britain replaced Germany as Finland's main trading partner. The two countries made bilateral agreements that gave Finnish forest goods free access to British markets and established preferential tariffs for British industrial products sold to Finland. Consequently, Finland's largest industry, paper production, expanded throughout the depression years (although falling prices led to declining export revenues). The economic growth of Finland resumed in 1933 and continued until 1939.

Production and employment had largely recovered from the effects of the depression when the Winter War began in 1939. The struggle marked the beginning of five years of warfare and privation. By 1944, after two defeats at the hands of the Soviet Union and severe losses suffered while expelling German troops, Finland's economy was nearly exhausted. Under the terms of the 1944 armistice with the Soviet Union, the country ceded about 12 percent of its territory, including valuable farmland and industrial facilities, and agreed to onerous reparations payments. To many Finns, it appeared that most of the achievements of the interwar years had been undone (see *World War II, 1939-45*, ch. 1).

Postwar reconstruction proved difficult. Resettling refugees from the areas ceded to the Soviet Union required another land reform act, subsidies for agricultural infrastructure, and support payments for displaced industrial workers. Reparations deliveries to the Soviet Union absorbed much of the country's export potential. The need to remain politically neutral precluded participation in the Marshall Plan (European Recovery Program), but Finland arranged substantial loans from the United States Export-Import Bank to finance expansion in the forest industries. High inflation rates

inherited from the war years fed labor militancy, which further threatened output.

Despite these setbacks, the tenacious Finns soon fought their way back to economic growth. Reparations turned out to be a blessing in disguise—at least for the metalworking industries, which supplied about three-fourths of the goods delivered to the Soviet Union. In effect, forced investment in metalworking laid the foundations for Finland's later export successes. The fulfillment of the reparations payments in 1952 symbolized the end of the postwar difficulties, but the real turning point probably came in about 1950, with the Korean War boom in the West. During the 1950s, the metalworking industries continued to export to the Soviet Union, a market in which the Finns faced virtually no competition from other Western countries. Extensive borrowing in Western financial markets—especially in Sweden and in the United States—financed investments in infrastructure, agriculture, and industry. The consumer goods and construction sectors prospered in the booming domestic market, which remained protected by import controls until the end of the decade.

From 1950 to 1974, Finland's gross national product (GNP—see Glossary) grew at an average annual rate of 5.2 percent, considerably higher than the 4.4 percent average for members of the Organisation for Economic Co-operation and Development (OECD—see Glossary). However, partly as a result of continued dependence on volatile lumber exports, this growth was more unstable than that in other OECD countries. The business cycle caused fluctuations in output that averaged 8 percent of gross domestic product (GDP—see Glossary). Finland's structural transformation was brutally quick, driving workers out of agriculture more quickly than had been the case in any other Western country. Although manufacturing output increased sharply, many displaced farm workers could not be placed in industry. At the same time, Finnish inflation, which tended to exceed that of the country's major trading partners, necessitated regular currency devaluations. Yet, despite the costs of economic growth, most Finns were happy to have escaped the hardships of the depression and the war years.

Rapid structural transformation led to innovative economic policies. During the 1950s, the state had maintained strict controls on many aspects of economic life, protecting the country's fragile economic balance, but it had lifted many restrictions by the end of the decade. Moreover, in 1957 policy makers chose to liberalize foreign trade in industrial goods, strongly influencing future economic developments. The achievement of prosperity in the 1960s

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made possible the extension of the welfare state, a development that did much to reduce tensions between workers and management (see *Finland in the Era of Consensus, 1966-81*, ch. 1). Finland's increased foreign trade made industrial competitiveness more important, causing greater interest in restraining the inflationary wage-price spiral. Starting in 1968, the government succeeded in sponsoring regular negotiations on wages, benefits, and working conditions (see *Human Resources*, this ch.). The political consensus that developed around incomes settlements helped to slow inflation and to increase productivity. Liberalization, welfare programs, and incomes policy thus helped to maintain economic growth during the 1960s and facilitated stronger economic relations with both Eastern and Western Europe.

In the 1970s and 1980s, changes in domestic and international economic conditions posed new challenges. At home, Finland was reaching the limits of extensive economic growth. Expansion was incorporating ever-greater amounts of raw materials, capital, and labor in the production process. The economy needed to shift to intensive growth through better resource management, improved labor productivity, and newer technologies. In international markets, the oil crises of 1973 and 1979 caused particular difficulties for the Finns, who imported over 80 percent of their primary energy supplies. The country did suffer less than other West European countries from increased oil prices because of its special trading relationship with the Soviet Union, which supplied petroleum in exchange for Finnish industrial goods. However, recession in Western markets, growing technological competition, and tighter financial markets made Finland's traditional cycles of inflation and devaluation untenable. Thus, although the country managed to delay austerity measures for five years, in 1978 balance-of-payments considerations compelled the government to introduce a far-reaching reform package designed to ensure the competitiveness of Finnish industry in world markets (see *Role of Government*, this ch.).

Although the austerity package pursued after 1978 slowed growth in personal consumption, the consensus approach to wage and benefit negotiations remained reasonably intact. In addition, many Finnish workers proved sufficiently flexible to accept transfers from declining sectors to those in which the country enjoyed a comparative advantage. As a result of competent macroeconomic management and favorable trading relations with both Eastern and Western Europe, Finland was able to sustain growth in GDP at an average annual rate of about 3.3 percent from 1980 to 1986—a rate well above the OECD average.

During the 1980s, structural developments in the Finnish economy paralleled those in other West European economies. Although surplus production of animal products plagued agriculture and led to cutbacks in agricultural subsidies, the country preserved family farming. Policy makers continued to monitor forestry, energy, and mineral resources closely, even when falling petroleum prices reduced pressures on the economy. Industry underwent intensive restructuring, eliminating many inefficient producers and consolidating healthy enterprises. Despite mergers and rationalization, Finland lost fewer industrial jobs than most OECD countries, so that unemployment was held below the double-digit levels common elsewhere on the continent. Private services, especially banking and insurance, expanded more rapidly than other sectors, also helping to limit unemployment.

Structure of the Economy

By 1986 postwar economic growth had raised Finland's GDP to about US\$70.5 billion, making the country one of the most prosperous in the world. Economic expansion over the years had substantially altered the structure of the economy (see fig. 14; fig. 15; table 13, Appendix A). By 1986 agriculture, forestry, and fishing had fallen to a little under 8 percent of GDP from nearly 26 percent in 1950. Industry, including mining, manufacturing, construction, and utilities, accounted for about 35 percent of GDP, down from about 40 percent in 1950. Within industry, metalworking had grown most rapidly, its output almost equalling that of wood processing by the late 1970s. In the late 1980s, industrialists looked forward to a shift toward electronics and other high-technology products.

While agriculture and industry had declined in relative terms during the postwar years, the service sector had grown from about 34 percent of GDP to almost 58 percent, leading some observers to characterize Finland as a postindustrial society. Several factors accounted for the expansion of the service sector. Government, very small under the Russian Empire, grew rapidly between the Great Depression and the early 1970s as the state took responsibility for an increasingly greater share of economic life. In addition, transportation, communications, engineering, finance, and commerce became more important as the economy further developed and diversified.

Control and ownership of Finland's economic life were highly concentrated, especially after the industrial and financial restructuring of the 1980s. Thus, by 1987 three firms controlled most shipbuilding, a small number of woodworking enterprises dominated

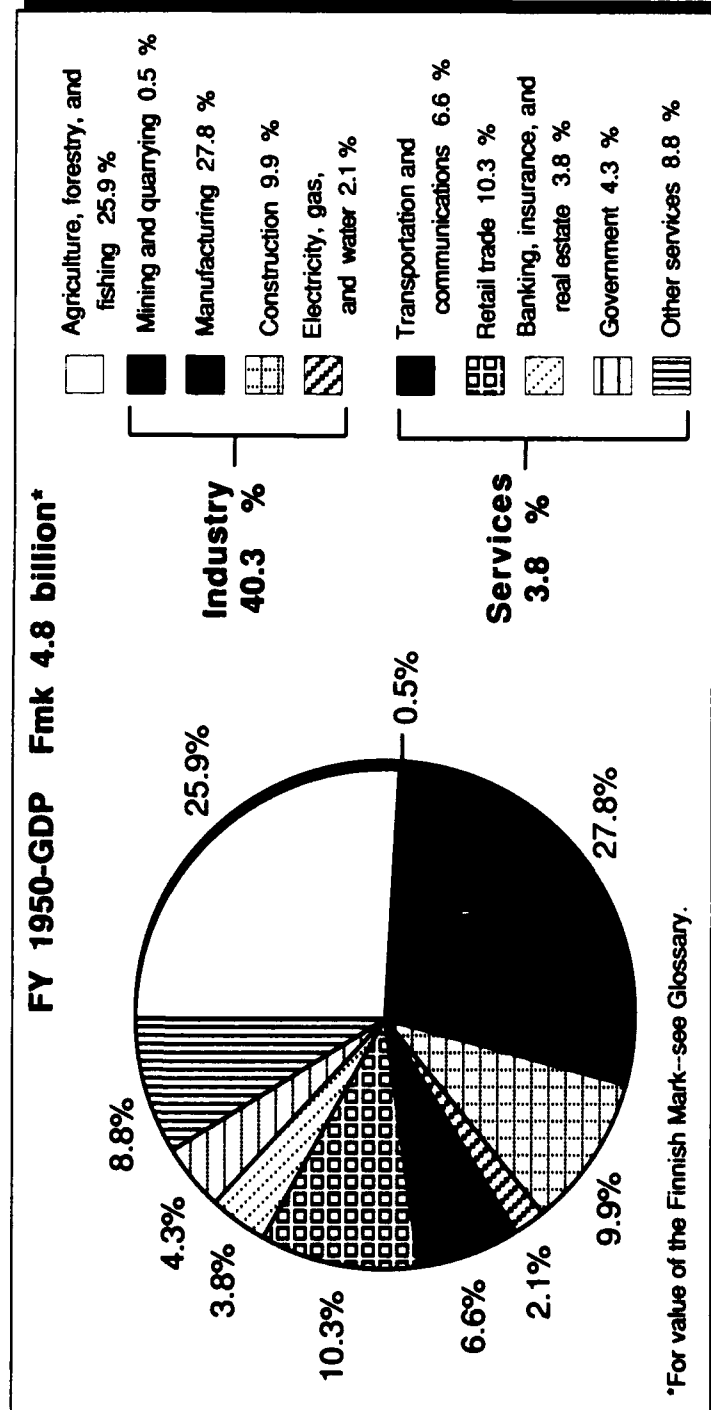


Figure 14. Structure of Gross Domestic Product (GDP), 1950

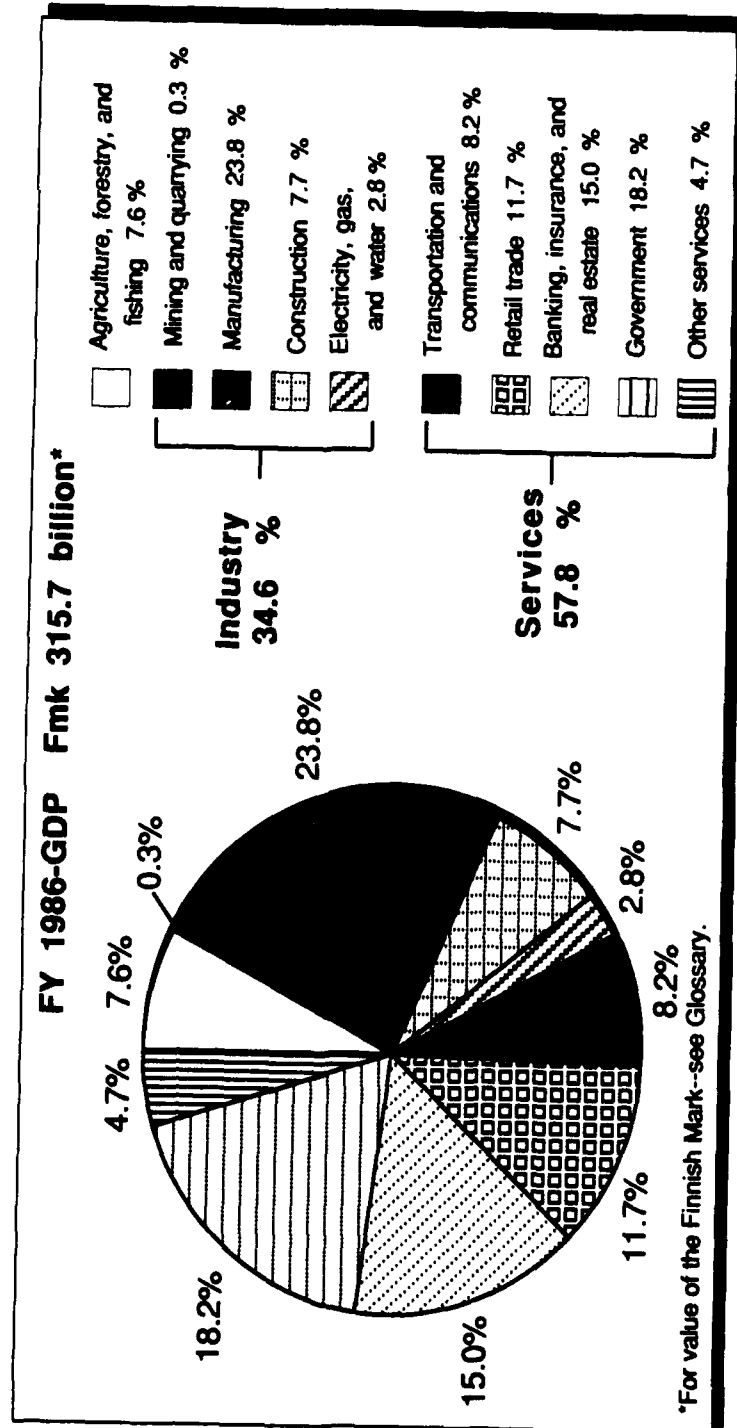


Figure 15. Structure of Gross Domestic Product (GDP), 1986

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the forest industries, and two main commercial banks exercised wide-reaching influence over industrial development. Large state-owned firms provided most of the energy, basic metals, and chemicals. The country's farmers, workers, and employers had formed centralized associations that represented the vast majority of economic actors. Likewise, a handful of enterprises handled most trade with the Soviet Union. Some observers suggested that the trend toward internationalization might increase the influence of foreign firms and executives in Finnish enterprises, but this effect would make itself felt slowly. Thus, while Finland remained a land of family farms, a narrow elite ran the economy, facilitating decision making, but perhaps contributing to the average worker's sense of exclusion, which may have contributed to the country's endemic labor unrest.

Role of Government

As in most European countries that were late in industrializing, the Finnish state played an important role in sponsoring economic development. Thus, in the interwar years, the government carried out crucial agricultural reforms and established pioneering industrial enterprises. During World War II, the government imposed comprehensive economic controls to support the defense effort, many of which remained in force during the reconstruction years. Starting in the 1950s, however, as economic growth overcame production bottlenecks and shortages of consumer goods, the government gradually relaxed the regulatory framework. Nevertheless, wartime intervention in the economy had left institutional legacies that influenced later economic policies.

The need to maintain export markets in Western Europe, itself engaged in a process of economic integration by the late 1950s, led the government to decide to liberalize trade in industrial products. Free trade, in turn, undermined the government's ability to isolate the domestic economy from world market conditions. Increasingly tied to the economies of the Nordic area and Western Europe, Finland was constrained to adopt policies similar to those in force elsewhere. Although the policy packages varied in response to domestic political developments and international market shifts, they all took into account Finland's position as a small, relatively open economy, in which fluctuations in raw material exports had a significant impact on the business cycle. By the late 1980s, when exports and imports each accounted for about one-quarter of GDP, export competitiveness had become the dominant policy concern.

Some analysts saw in Finnish economic management a liberal, noninterventionist variant of the economic policies of other Nordic

states. Thus, Finland, less prosperous than its Western neighbors, did not develop a comprehensive welfare state until the late 1960s, and it held benefits below the Scandinavian average (see *Growth of the Social Welfare System*, ch. 2). Like other Nordic states, Finland had institutionalized wage and benefit negotiations, but the Finnish system of industrial relations involved substantially more conflict than the systems in the Scandinavian states (see *Human Resources*, this ch.). Along the same lines, Finland protected domestic agriculture, but generally avoided bailing out declining industrial concerns, favoring measures to facilitate structural adjustment. Finnish politicians, some of whom saw Sweden as a model, claimed that their neighbor's mistakes had taught them to avoid excessive welfare programs and industrial subsidies that would slow adaptation to new market conditions. Foreign analysts noted, however, that special factors, such as Finland's relatively late industrial development and the role of Finland's trade with the Soviet Union, also helped to explain deviations from the general Nordic pattern. By the 1980s, as austerity policies spread throughout the region, aspects of Finnish policy seemed to lead rather than to follow Nordic developments.

Despite the *laissez-faire* slant of Finnish economic policy, direct state intervention strongly influenced operating conditions in many sectors. In agriculture, for example, years of government support and tariff protection had sustained a relatively large rural population that expected continued aid regardless of the need to cut farm surpluses (see *Agriculture*, this ch.). Similarly, the state had established enterprises in capital-intensive, high-risk sectors, including energy, minerals, basic processing, and manufacturing in which private investment had proven inadequate. By the mid-1980s, private capital markets were relatively well-developed, but the twenty state enterprises still accounted for some 21 percent of industrial production, and they included many of the country's leading firms, such as the Kemira Group in chemicals, Enzo-Gutzeit in wood processing, the Valmet Group in engineering and shipbuilding, and Valvira in textiles. Yet industrial policy no longer depended on state ownership, and these enterprises functioned much as private companies. Indeed, starting in the early 1980s, the Ministry of Trade and Industry, which was responsible for state enterprises, began to demand that they earn profits. The state maintained monopolies in alcoholic beverages, energy (Neste and Imatran Voima), and minerals (the Outokumpu Group and Rautaruukki) for political reasons, but divestment in other sectors was a possibility. In 1988 the government decided to allow certain state enterprises to sell shares. The Valmet Group was the first state

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firm to announce plans for a stock offering, and observers reported that Outokumpu, Kemira, and Neste were also candidates for partial privatization, depending on how well the Valmet stocks sold. The government planned to retain controlling interests in the companies for at least several years, but some politicians favored complete privatization.

Privatization and deregulation were ways to dismantle the relics of earlier economic policies and to release public resources for other purposes. In the late 1980s, government interest concentrated on speeding rationalization and restructuring, even at the cost of higher unemployment and greater industrial concentration. Industrial policy sought to foster a shift away from heavy engineering toward electronics and high-technology production. The state sharply increased expenditures for research and development, and it helped coordinate efforts among universities, private industry, and government research centers (see Industrial Policy, this ch.). The government and the Bank of Finland (BOF), Finland's central bank, gradually deregulated the financial sector in an effort to improve the efficiency of capital markets (see Banking and Finance, this ch.). Thus, although the state continued to control certain key sectors, such as agriculture, forestry, minerals, and energy, overall economic policy had shifted from sectoral intervention toward efforts to improve productivity and market efficiency.

Macroeconomic Policy

During the 1960s and 1970s, government policy had pursued rapid economic growth and high investment in industry, often to the detriment of price stability. By the mid-1960s, the government, generally in concert with the BOF, which controlled monetary and exchange-rate policy, established a macroeconomic approach with fixed roles for monetary, fiscal, incomes, and exchange-rate policies. In general, monetary policy aimed at keeping interest rates low to favor domestic investment. The BOF imposed strict controls on capital exports, which made possible negative real interest rates, and rationed credit to the commercial banks, which controlled most investment. The perceived need to balance budgets, usually annually, handicapped fiscal policy. The government used incomes policy to influence wage settlements, often offering tax breaks in exchange for concessions from management and labor, but incomes policy was rarely coordinated with the general macroeconomic strategy. Exchange-rate policy was dedicated to safeguarding industrial competitiveness.

Although this policy package favored growth, high employment, and industrial development, the economy suffered from greater

inflation and instability than those of other OECD countries. Public spending remained under firm control, but low interest rates and tax cuts fueled domestic inflation. At roughly ten-year intervals, Finland experienced export-led booms followed by major devaluations and severe recessions. Fluctuations in world demand for Finnish exports were largely responsible for the cycles, but economic policies magnified them. Typically, a period of overheating in the economy, occasioned by an upswing in exports and by the relatively inelastic supply of exportable commodities, led to sharp increases in wages and prices in the export sector as well as to greater imports of investment goods. Faced with declining export competitiveness and a worsening external balance, the authorities responded with major currency devaluations (24 percent in 1967; 10 percent in 1977-78) and with tighter macroeconomic policies, which dampened domestic demand but restored competitiveness. Output recovered following each devaluation, only to decline as domestic inflation rocketed higher, further eroding competitiveness in external markets.

Although Finland managed to avoid restructuring traditional policies until several years after the 1973 oil crisis, an especially severe downturn in the second half of the 1970s, caused largely by recession in West European markets, inspired a new policy approach. Starting in 1977, with the adoption of a five-year stabilization program, the government began to give priority to fighting inflation and to overcoming the devaluation cycle, even at the cost of higher unemployment and slower growth in the short run.

The new macroeconomic framework involved changing the traditional assignments for each policy tool. Perhaps the most important innovation was a more active role for fiscal policy. Given the low level of Finnish state debt, policy makers stopped requiring that the budget balance each year, and they aimed instead for a balanced budget over the life of the business cycle. Fiscal policy became consciously countercyclical, and increased spending during the 1982-83 slowdown was followed by tax increases in the 1984-85 upswing. In addition, the authorities adjusted tax rates not only to moderate wage demands but also to affect investments and export competitiveness. The implementation of monetary policy shifted from offering negative interest rates in a protected capital market to using interest rates to dampen inflation and to influence the exchange rate. Monetary policy came to depend even more on market operations by the mid-1980s, as deregulation of financial markets eliminated the earlier system of capital rationing. The tighter monetary stance tended to reduce the volume of investment, but economists expected that the quality of investments would

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improve. After 1977 the BOF attempted to peg the external value of the Finnish mark to a trade-weighted "basket" of foreign currencies. The new exchange-rate policy was meant to curtail both domestic and imported inflation. Indeed, in 1979 and 1980, the currency was allowed to appreciate for the first time in the post-war period in response to greater export demand. Policy makers hoped that the stable exchange rate would eliminate distortions caused by an undervalued or overvalued currency and would allow market conditions to determine investment decisions.

The new approach to managing the economy still depended on negotiated incomes settlements to restrain wage growth and to dampen inflation. The government continued to try to influence agreements between capital and labor by means of fiscal or other incentives. Implementing such sophisticated policies required extensive coordination and cooperation among government ministers belonging to different parties, the BOF, and leaders in agriculture, industry, and labor. Although differences among interest groups continued to exist and sometimes resulted in serious conflicts, the country enjoyed widespread consensus regarding the desirability of medium-term stabilization. It was this consensus—and the macroeconomic policies it made possible—that deserved much of the credit for Finland's relatively strong economic growth, low unemployment, and price stability.

Public Finance

As of 1987, public-sector spending amounted to about 42 percent of GDP, below the OECD average. Austerity policies had limited real budget increases to about 1.5 percent per annum from 1980 to 1987, substantially less than the rapid growth in government spending during the 1960s and 1970s (see table 14, Appendix A). Total taxes amounted to about 36 percent of GDP in 1987, fluctuating by a few percentage points from year to year. Because of the gap between taxes and spending, government debt grew relatively rapidly during the 1980s, reaching almost 15 percent of GDP by 1987, but it was still low by OECD standards.

Each autumn the Ministry of Finance submitted to the Eduskunta, the country's parliament, the budget for the next fiscal year (which corresponded to the calendar year), accompanied by a survey of the economic situation. Early in the following spring, while the budget was being debated, the ministry published a revised version of the survey, which estimated the overall fiscal impact on aggregate demand, income, and money supply. After parliamentary approval of the annual budget, the government often responded to changing conditions by requesting supplementary appropriations.

sometimes significantly modifying the original budget.

Starting in the late 1970s, as it sought to maintain tight limits on the growth of the public sector, the government, in its fiscal policy considerations, began to analyze social security funds and local spending as parts of the overall budget. The central government regularly transferred large sums to local authorities, which accounted for about two-thirds of public-sector operations. Local administrations levied a flat tax, which had reached about 16 percent in 1986, on earned income. The central government influenced local expenditures by regulating transfers and by negotiating multiyear spending limits. Nevertheless, current local government expenditures, many of which were required by law, sometimes exceeded targets. The central government also attempted to manipulate social security taxes as an instrument of fiscal policy, a technique that Finland had pioneered. The government lowered employers' contributions for health, accident, and unemployment insurance by about 2 percent of the wage bill between 1977 and 1987 in an attempt to encourage job creation.

National taxes absorbed about 26 percent of GDP, and local taxes, roughly 16 percent, in the mid-1980s. In 1986 the government introduced reforms of business income taxes, including a reduced value-added tax on energy, designed to improve export competitiveness. In 1988 the legislature enacted a comprehensive tax reform meant to reduce marginal rates of taxation after eliminating many deductions. Policy makers expected that the 1988 reform would reduce tax-induced distortions in investment behavior and would make the tax system fairer.

Government spending had changed significantly during the post-war years. In the late 1940s and early 1950s, temporary expenditures associated with the war dominated the budget. From the early 1950s to the early 1970s, the fastest-growing sectors in the budget were education, social welfare transfers, and capital investments. By the late 1980s, current expenditures remained roughly the same as in the 1970s, but investments had fallen. In 1987, for example, debt service led expenditures (at about 17.2 percent of total outlays), followed closely by social security (17.1 percent) and education, science, and the arts (16 percent). Government operations and defense amounted to about 14.7 percent, and health, to 8 percent. Except for agriculture and forestry (which absorbed 8.3 percent) and transport (8 percent), subsidies for different branches of the economy took relatively small amounts: housing, 4.4 percent; industry, 3.4 percent; and labor, 2.5 percent.

Finland's state debt, at about 14 percent of GDP in 1987, was

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low by international standards, as was the debt of local governments, which stood at roughly 3 percent. Nevertheless, during the 1980s the government tried to limit the growth of state debt to avoid increased interest expenditures. As of 1987, slightly more than half the state debt was in foreign currencies. When the state sought financing abroad, it avoided crowding out private borrowers in Finland's relatively shallow capital market, but foreign debt increased foreign-exchange risk. In 1986 and 1987, however, officials took advantage of their government's high credit rating to refinance much of the debt at lower interest rates. Although policy makers would have to manage the debt carefully, most analysts believed it was unlikely that Finland's state debt would seriously constrain government operations during the late 1980s and early 1990s.

Human Resources

Finland's work force was the country's most valuable economic asset; managing it posed the greatest challenges to both business and government. Like most European countries, Finland suffered from unemployment, but employers reported difficulties in finding qualified workers. Although the country boasted a consensual approach to industrial relations, strikes often interrupted production. Likewise, Finland's workers enjoyed a high standard of living, but regular wage increases contributed to domestic inflation, worsened unemployment, and exacerbated balance-of-payments difficulties. Business often granted seemingly excessive wage increases, yet alienated workers through adamant opposition to increased democracy in the workplace. Government policies addressed labor problems with only limited success.

Employment

In 1986 the civilian labor force numbered a little more than 2.5 million, of which about 5.4 percent were unemployed (see table 15, 1950-85, Appendix A). Less than 11 percent of the work force worked in agriculture and forestry (down from over 45 percent in 1950). Employment in industry and construction amounted to about 32 percent, while the service sector employed a little over 57 percent. Finland's employment structure resembled that of other European countries, except that agricultural employment was still higher than the West European average, and industrial employment had fallen more slowly in Finland after the 1973 oil crisis than it had elsewhere. Economists suggested that both phenomena reflected Finland's relatively late industrialization and that the country could expect further declines in the employment shares of agriculture and industry.

As in most European countries, general unemployment became a serious problem during the 1970s, rising from about 1.8 percent in 1974 to an average of about 5.7 percent between 1980 and 1986. Official statistics showed that unemployment had fallen to 5.5 percent for the first half of 1987, but this figure had resulted from redefining unemployed workers over 55 years of age as retired. The number of unemployed persons actually had barely changed between 1986 and 1987. Despite economic growth, during the early 1980s total demand for labor stagnated, but the working-age population increased by an average of 1.2 percent each year. Economists estimated that real GDP would need to rise by over 3 percent per year in the late 1980s and early 1990s just to keep up with the growing work force.

While unemployment was less severe in Finland than it was in most European countries, policy makers considered the job shortage to be the country's main economic problem. Young people suffered most from the rise in unemployment. In the late 1980s, the unemployment rate for people between the ages of fifteen and twenty-four was almost twice the overall average. The aging of the population would tend to reduce the youth unemployment rate in the 1990s, but observers predicted that the total population of working-age persons would continue to rise for at least a decade and that unemployment would be a serious problem.

Although many workers could not find jobs, some employers reported difficulties in finding skilled industrial workers; in particular, construction and service workers were hard to find in the booming Helsinki area. Although certain skills might be in short supply, the work force generally was competent and hardworking. Indeed, during the postwar years, the number of Finns with vocational training had increased fourfold, and the number of university graduates had increased fivefold (see Education, ch. 2). The graduates of Finland's management schools were well prepared to meet the challenges posed by an increasingly international business environment. Some managers argued that young Finns showed more initiative on the job than their parents.

The government tried to cope with unemployment, focusing on youth joblessness. Aside from expanding public employment, generally seen as a stopgap, state efforts included retraining programs for unemployed workers, advanced vocational training, travel and resettlement allowances, and subsidies for housing in areas with labor shortages. A particularly effective mechanism was the nationwide employment exchange, which brought together people seeking employment with potential employers. In the long run, however, such measures could only serve as palliatives. Analysts believed

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that the state could best increase employment by following sound macroeconomic policies and by facilitating cooperation among the organizations representing labor and management.

Industrial Relations

Although trade unionization had started somewhat later in Finland than it had throughout the rest of the continent, in the 1980s the country's workers and employers were the most highly organized in Western Europe. According to the Ministry of Labor, about 80 percent of the work force belonged to unions, although the rate varied significantly among industries. Employers' federations also represented most enterprises (see Interest Groups, ch. 4).

Conflict between labor and management was fierce during the interwar years because tensions resulting from the civil war had soured industrial relations. Labor-management collaboration improved in 1940 when the Central Organization of Finnish Trade Unions (Suomen Ammattiyhdistysten Keskusliitto—SAK) and the Confederation of Finnish Employers (Suomen Työnantajain Keskusliitto—STK) recognized each other and agreed to cooperate during the national emergency. Industrial relations languished immediately after World War II, however, in part because government regulations tied wages to the cost-of-living index. Despite a general strike in 1956, occasioned by conflicts of interest among farmers, workers, and management, a spirit of compromise gradually developed in the late 1950s and early 1960s.

Finland's industrial relations took an important turn for the better in 1968, when a system of centralized incomes agreements was instigated by the government, which hoped to curb inflation and improve competitiveness after a major currency devaluation. After that date, regular negotiations, involving the government, labor, and employers, led to central agreements on wages, benefits, work conditions, and social policy. Negotiations usually started in the fall and ended in March. Senior civil servants acted as mediators between labor and management. The government often offered concessions, such as tax reductions, longer vacations, or reduced employer social security contributions, in exchange for wage restraint or increased investment. The central agreement among the national federations was not binding on individual unions. In practice, however, the central agreement provided guidelines for contracts made between unions and employers or, if necessary, between workers and management at individual factories. Contracts affecting civil servants and professionals were usually negotiated after settlements in industry, as were settlements concerning prices paid for agricultural commodities and lumber. In this way, wages in

private enterprises exposed to international competition influenced the protected sectors of the economy.

Many observers feared renewed labor conflict during the 1980s as slower growth, stiff foreign competition, and austerity policies put pressures on the negotiation process. Strikes did occur, mostly during the spring negotiation season. In 1986, for example, unions representing salaried employees, technicians, and professional personnel accepted the central agreement, but SAK held out for shortened work hours. When the STK demanded greater flexibility in setting work schedules in exchange for the proposed reduction in work time, SAK responded with the first general strike since 1956. As a result, SAK gained a larger wage increase than the other federations and a provision that by 1990 would reduce the work week in industry to 37.5 hours. Moreover, a number of local unions refused to follow the central agreement, preferring to negotiate on their own.

In 1988 the government was unable to implement a national agreement, largely because of opposition from employers. Unions and employers reached agreements industry by industry, generally following the settlement reached in the paper industry. In this industry, blue-collar workers had achieved wage increases of about 4 percent for the first year of their two-year agreement, while white-collar workers had received higher raises; the parties had agreed to delay negotiations for the second year. Although its proposals had been rejected, the government still intervened in the negotiation process by introducing legislation on retraining programs, security against dismissal, and worker representation on company boards. The fact that important service branches, such as banking, insurance, and trade, had opted for multiyear agreements in which wage increases were to be negotiated a year at a time, further indicated that the centralized negotiation process was becoming fragmented. Despite these apparent setbacks, most Finns supported an incomes policy as a way to restrain wages, thereby protecting real earnings.

Despite widespread consensus on incomes policy, Finland continued to experience more strikes and lockouts than other Nordic states. In principle, Finnish legislation blocked strike actions during periods governed by incomes agreements. Moreover, according to the law regulating strikes, unions were required to give two weeks' notice to both employers and the state before initiating a strike, and the government could delay a strike and could require mediation. Despite these controls, illegal work stoppages occurred regularly, often involving small, but well-placed, groups of workers. In 1986, for example, air traffic controllers shut down the

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Helsinki airport for two weeks. The number of strikes had declined, however, after 1984, when the central incomes agreement had included a ninefold increase in the fines for illegal strikes.

Agriculture, Forestry, and Fisheries

The Finns traditionally earned their living from the produce of their soils and waters. Even though by the 1980s Finland had long been an industrial country, many Finns continued to see the hard-working farmer as an upright figure whose way of life should be preserved so the country would not lose contact with its rural roots. Agriculture, forestry, and fisheries had shrunk to less than 10 percent of GDP by the late 1980s, but these sectors remained crucial for the country's economic security. Although only 8 percent of its territory was arable, the country had been self-sufficient in basic foodstuffs since the 1960s—indeed, surpluses of dairy products and meat caused serious difficulties in the 1970s and the 1980s. Seventy-six percent of the country was covered by forests, which supplied the country's most important raw material—lumber. Agriculture and forestry had long been closely linked: most farms included forestland, and most farmers supplemented their earnings by selling lumber or by working in the forest industries during the winter. Although rivers and lakes covered about 9 percent of Finland, and the country had extensive coastal waters, fishing was not an important source of food or employment.

The Ministry of Agriculture and Forestry was responsible for policies dealing with agriculture, forestry, and fishing. Recognizing the close links among these sectors, the government considered that policies should offer integrated solutions to the problems of managing the country's resources.

Agriculture

Finland's climate and soils make growing crops a particular challenge. The country lies between 60° and 70° north latitude—as far north as Alaska—and has severe winters and relatively short growing seasons that are sometimes interrupted by frosts. However, because the Gulf Stream and the North Atlantic Drift Current moderate the climate, Finland contains half of the world's arable land north of 60° north latitude. Although precipitation is fairly well distributed throughout the year, summer droughts pose occasional problems. In response to the climate, farmers have relied on quick-ripening and frost-resistant varieties of crops, and they have cultivated south-facing slopes as well as richer bottomlands to ensure production even in years with summer frosts. Most farmland had originally been either forest or swamp, and the soil



*Gathering hay on a small farm in Urjala in the province of Häme
Courtesy Embassy of Finland, Washington*

had usually required treatment with lime and years of cultivation to neutralize excess acid and to develop fertility. Irrigation was generally not necessary, but drainage systems were often needed to remove excess water.

Until the late nineteenth century, Finland's isolation required that most farmers concentrate on producing grains to meet the country's basic food needs. In the fall, farmers planted rye; in the spring, southern and central farmers started oats, while northern farmers seeded barley. Farms also grew small quantities of potatoes, other root crops, and legumes. Nevertheless, the total area under cultivation was still small. Cattle grazed in the summer and consumed hay in the winter. Essentially self-sufficient, Finland engaged in very limited agricultural trade.

This traditional, almost autarkic, production pattern shifted sharply during the late nineteenth century, when inexpensive imported grain from Russia and the United States competed effectively with local grain. At the same time, rising domestic and foreign demand for dairy products and the availability of low-cost imported cattle feed made dairy and meat production much more profitable. These changes in market conditions induced Finland's farmers to switch from growing staple grains to producing meat and dairy products, setting a pattern that persisted into the late 1980s.

In response to the agricultural depression of the 1930s, the

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government encouraged domestic production by imposing tariffs on agricultural imports. This policy enjoyed some success: the total area under cultivation increased, and farm incomes fell less sharply in Finland than in most other countries. Barriers to grain imports stimulated a return to mixed farming, and by 1938 Finland's farmers were able to meet roughly 90 percent of the domestic demand for grain.

The disruptions caused by the Winter War and the Continuation War caused further food shortages, especially when Finland ceded territory, including about one-tenth of its farmland, to the Soviet Union (see *The Winter War and The Continuation War*, ch. 1). The experiences of the depression and the war years persuaded the Finns to secure independent food supplies to prevent shortages in future conflicts.

After the war, the first challenge was to resettle displaced farmers. Most refugee farmers were given farms that included some buildings and land that had already been in production, but some had to make do with "cold farms," that is, land not in production that usually had to be cleared or drained before crops could be sown. The government sponsored large-scale clearing and draining operations that expanded the area suitable for farming. As a result of the resettlement and land-clearing programs, the area under cultivation expanded by about 450,000 hectares, reaching about 2.4 million hectares by the early 1960s. Finland thus came to farm more land than ever before, an unusual development in a country that was simultaneously experiencing rapid industrial growth.

During this period of expansion, farmers introduced modern production practices. The widespread use of modern inputs—chemical fertilizers and insecticides, agricultural machinery, and improved seed varieties—sharply improved crop yields. Yet the modernization process again made farm production dependent on supplies from abroad, this time on imports of petroleum and fertilizers. By 1984 domestic sources of energy covered only about 20 percent of farm needs, while in 1950 domestic sources had supplied 70 percent of them. In the aftermath of the oil price increases of the early 1970s, farmers began to return to local energy sources such as firewood. The existence of many farms that were too small to allow efficient use of tractors also limited mechanization. Another weak point was the existence of many fields with open drainage ditches needing regular maintenance; in the mid-1980s, experts estimated that half of the cropland needed improved drainage works. At that time, about 1 million hectares had underground drainage, and agricultural authorities planned to help install such works on another million hectares. Despite these shortcomings, Finland's

agriculture was efficient and productive—at least when compared with farming in other European countries.

Farms and Farmers

Finland's agriculture was based on privately owned family farms. This was especially the case after 1922, when the republic, anxious to reduce rural discontent, implemented the first of a series of land reforms that redistributed land to tenants and to landless farm workers (see *The Establishment of Finnish Democracy*, ch. 1; *Domestic Developments and Foreign Politics, 1948-66*, ch. 1). After World War II, the government resettled some 40,000 farm families displaced from areas occupied by the Soviet Union. The postwar resettlement program also transferred land to farms considered too small for efficient operations, many of which had been set up in the interwar period.

As a result of the resettlement program, Finland was one of the few industrialized countries in which the number of farms increased after 1945; by 1950 there were about 260,000 farms. The number of farms started to decline in the 1960s, however, falling to about 200,000 by 1981. The decrease in the number of farms caused an increase in average farm size; but large farms still remained rare. Thus, in the mid-1980s, about 60 percent of farms covered less than ten hectares, 25 percent included between ten and twenty hectares, and only 15 percent occupied more than twenty hectares. At that time, both large and small farms were disappearing, leaving an increasing number of farms that were between ten and twenty hectares. Observers predicted that this trend was likely to continue.

In the late 1980s, the average farm comprised twelve hectares of arable land and thirty-five hectares of forest. The relative proportions of field holdings to forest holdings varied from region to region; in the south, farmers tended to own more arable land but less forest, while in the north, the reverse was true. Farm families formed the basic production unit. Family members provided about 95 percent of farm labor; wage earners supplied the remainder. Most farms specialized in one or two activities, such as hog production, dairy farming, or grain cultivation. Although in the early postwar years most farms produced some milk, by the early 1980s only one out of three farms did so, and about half of all farms had no farm animals. This tendency toward specialization increased the efficiency of Finland's relatively small production units.

Farm incomes lagged behind those of the total population. For example, according to a 1984 study, the average income of full-time farmers totaled only 70 percent of that of industrial workers. Nevertheless, income disparities between agriculture and other

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sectors were probably less severe than these figures indicate because many farm families supplemented their incomes with earnings from forestry and other occupations. In the mid-1980s, only 62 percent of farmers' incomes came from agriculture, while another 26 percent was derived from wages and 12 percent was earned from forestry.

Farmers had a strong tradition of practical and political cooperation. In the late 1980s, some 90 percent of Finnish farmers belonged to agricultural unions, which were divided between those for Finnish speakers and those for Swedish speakers. More than 330,000 union members belonged to 430 Finnish-language locals or to 80 Swedish-language locals. Founded in 1917, the *Confederation of Agricultural Producers* (Maataloustuottajain Keskusliitto—MTK) served as an umbrella organization for agricultural unions, and it represented farmers in agricultural price negotiations with the government and with other producer groups.

In addition to joining unions that helped influence farm policy, farmers had established cooperative associations that provided farm supplies, shared marketing expenses, and arranged farm financing. The umbrella organization of farm cooperatives was the Pellervo Society, which had more than a million members. Each branch of agriculture organized its own cooperatives to handle sales of farm products and purchases of supplies. Cooperative banks provided about half of all money used to finance farming, and cooperative insurance associations handled farm and crop insurance.

Agricultural Policy

Finland's agricultural policy has long been inspired by more than purely economic considerations. The need to maintain secure food sources caused the Finns to subsidize uncompetitive grain production rather than to allow further specialization in dairy and meat operations. Social concerns drove policies designed to maintain family farms and to give farmers incomes and working conditions more equal to those of other workers. The desire to maintain settlements in the sparsely populated northern provinces led to heavy subsidies for farmers in those regions. Other goals included stabilizing retail food prices and increasing farm size and efficiency.

In the late 1980s, agricultural policy made involved trade-offs among these partially contradictory objectives. For national security reasons, the government gave priority to ensuring self-sufficiency in basic foodstuffs. But self-sufficiency, like other farm-policy goals, resulted in costly agricultural surpluses that had to be dumped on international markets. Structural reforms, designed to increase farm size, could improve efficiency, strengthen family

farms, and increase farm incomes, but they were difficult to implement.

By the early 1960s, the first goal—self-sufficiency—had been achieved. By the late 1970s, however, surplus production had become a pressing problem. According to government estimates made in the early 1980s, crop productivity would increase by about 1.5 percent per year, and productivity in animal husbandry would increase by about 0.5 percent per year. Because Finland's consumption of agricultural products was stagnant, crop and animal surpluses would therefore continue to grow—unless agricultural prices were reduced.

In the late 1970s, the government stepped up programs designed to encourage farmers to shift production from products in surplus, such as eggs, milk, and meat, to products that replaced imports, such as wheat, sugar, and vegetables. Starting in the mid-1980s, worldwide agricultural surpluses depressed prices and made agricultural exports especially expensive. In response, the government redoubled its efforts to control output and to encourage reforestation of surplus farmland. This policy had begun to make a significant impact by 1987.

Agricultural policy centered on target prices set by the Ministry of Agriculture and Forestry each spring and fall, after negotiations with the MTK. Administered under the periodic farm income acts, which defined general rules for setting farm prices, the negotiations included two phases. In the first phase, farmers received compensation for increases in input costs according to a formula laid out in the applicable Farm Income Act. In the second phase, the negotiations addressed how much farm labor would be paid. In general, farm pay settlements reflected nonagricultural wage agreements, and they were based on estimated hourly wages in agriculture (see Human Resources, this ch.). For example, in the spring of 1986 farmers received no compensation for input costs, which had been stable (largely as a result of falling world energy prices), but they did achieve a 6.1 percent increase in income, much higher than the 2.4 percent agreed to in the 1986 framework agreement for other workers. Observers considered the settlement to have been generous, but perhaps justified, because agriculture remained a low-wage sector.

Once the negotiation process had determined overall farm income, the Ministry of Agriculture and Forestry fixed target prices for individual crops. In response to overproduction problems, the ministry reduced prices for surplus products and required that farmers pay part of the costs of subsidizing exports. Programs to reduce

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surpluses by lowering target prices achieved only limited results, however, because increases in productivity often outweighed declines in target prices. The ministry established a dual-price system for milk and eggs, which made production beyond output quotas unprofitable, and implemented a number of voluntary production controls, including contracts to increase fallow land or to limit production of milk, beef, pork, and eggs. In the summer of 1987, the government prohibited clearing fields, introduced measures to encourage reforestation, and began considering heavier taxes on the agricultural earnings of part-time farmers as well as increased pensions for farmers who agreed to retire early.

Subsidies for agricultural consumption were partially effective in increasing demand for surplus products. Health concerns, however, apparently limited consumers' willingness to eat more dairy and meat products. Surplus-reduction measures were having some effect by the late 1980s, but in 1987 farm surpluses remained a serious problem.

Structural reforms also received considerable attention. To slow the growth of large, "industrial" farms, the government required licenses for farms that exceeded certain production levels, hoping that limiting the size of farms would both reduce surpluses and help maintain family farms. The Agricultural Development Fund provided low-interest loans and subsidies for investments in farm infrastructure; most of the loans from this fund went to farmers in northern Finland. Small farmers who wanted to enlarge their farms could also receive low-interest credits. In an effort to keep new farmers from falling into debt, the government also allowed farmers under the age of thirty-five to apply for state grants when they established a farm. Moreover, the state tried to make farming more attractive to young people by providing outside helpers to take over farm operations temporarily. This arrangement facilitated maternity leaves and even annual vacations.

Farmer training programs, crop research, and extension services helped farmers to improve agricultural practices. Local schools provided agricultural training for youths who could later attend specialized schools; university students could major in agriculture. The Ministry of Agriculture and Forestry and the universities undertook research projects that emphasized the development of frost-resistant crop varieties. The ministry also administered extension services that gave technical advice and communicated research findings to farmers. These training and research programs deserved much of the credit for the progress that farmers had achieved during the postwar period.

Farm Production Patterns

During most of the twentieth century, Finnish farmers have favored raising animals over growing plants for human consumption. These preferences resulted in part from the country's climate and soils, which were more suitable for the production of feed for animals than for the production of crops for human consumption. The small size of many farms also encouraged the emphasis on milk, eggs, and meat; only on a large farm could a family earn sufficient income from less labor-intensive field crops. Thus, in the late 1980s, about 40 percent of farm income came from milk; 30 percent, from meat; 9 percent, from grain; 5 percent, from eggs; and 16 percent, from other products (see table 16, Appendix A).

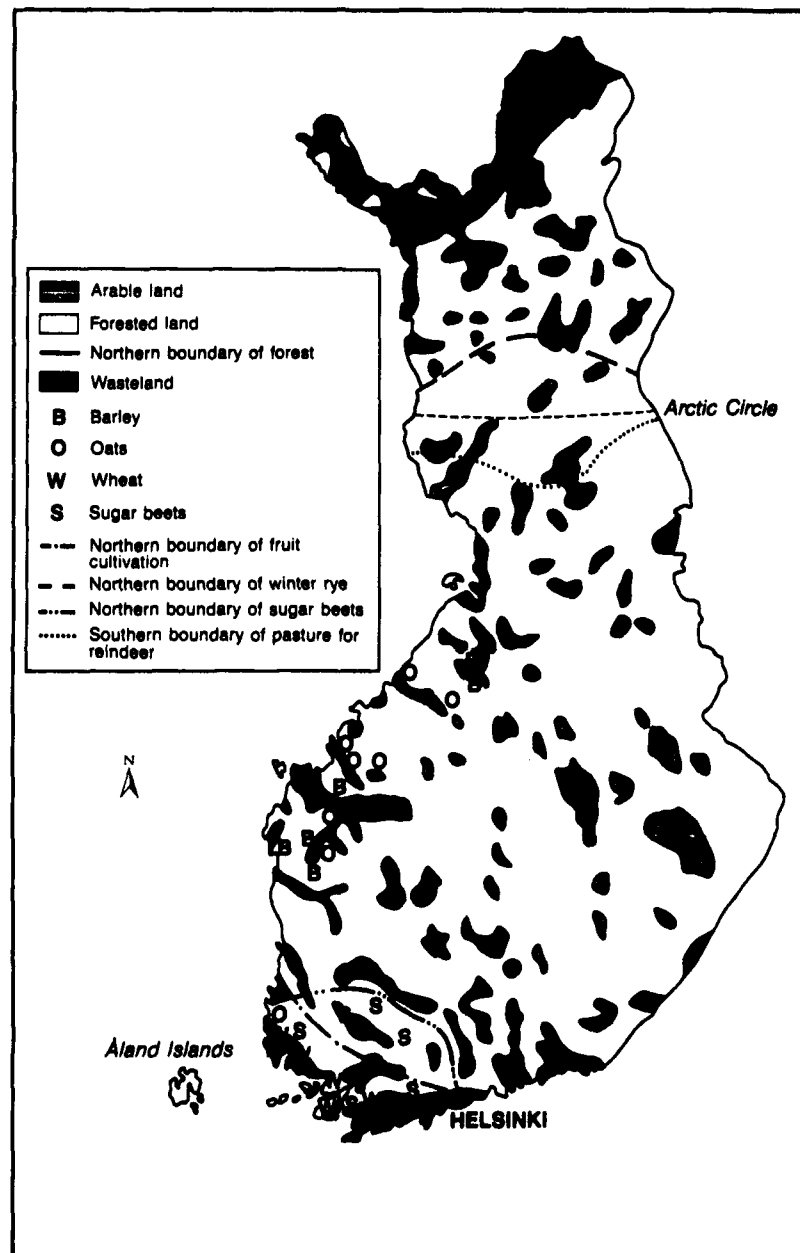
Regional ecological variations influenced the distribution of agricultural production (see fig. 16). In the southern and western parts of the country, where the climate is more favorable and soils are richer, farmers generally produced grain, poultry, and pigs, while in the north and the east they specialized in hardier root crops and in dairying. It was in the north, too, that the country's 200,000 reindeer, one-third of which were owned by Lapps, were raised.

In the late 1980s, cattle operations remained the mainstay of farming, but Finland's farmers also raised pigs, poultry, and other animals. Most pigs were raised on relatively large, specialized farms. Poultry production increased after the mid-1960s to accommodate an increased demand for meat. A more recent development, a response to the oversupply of traditional animal products, was a shift to fur farming. By the mid-1980s, about 6,000 farms, especially those in Vaasa Province along the coast of the Gulf of Bothnia, were producing a substantial share of the world's mink and fox furs (see fig. 1). The Finns exported most furs, but some were used domestically in luxury clothing.

About 85 percent of Finland's arable land supplied feed for farm animals. Farmers dedicated more than 30 percent of their land to hay, silage crops, and pasture (see table 17, Appendix A). Grains, the most important field crop, took up slightly more than half the country's arable land. The most widely planted grain crops—barley and oats—were used primarily to feed livestock. Rutabagas and mangels, particularly hardy root crops, also served as animal feed.

Despite the emphasis on producing feed for livestock, the Finns made substantial efforts to ensure supplies of basic human foodstuffs. By the 1980s, the annual wheat and rye crops, used for making bread, met domestic demand in years with normal harvests. Potatoes produced high yields even in the north, and the potato crop was usually large enough for domestic needs. Domestic

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Source: Based on information from Federal Republic of Germany, Statistisches Bundesamt, *Länderbericht Finnland 1986*, Wiesbaden, 1986, 9

Figure 16. Agriculture and Forestry, 1985

sugar beets provided about half of the sugar consumed in the country. Some farmers, especially those with small holdings near large cities, specialized in growing vegetables; they managed to raise as much as 80 percent of the vegetables consumed in Finland.

Forestry

Forests played a key role in the country's economy, making it one of the world's leading wood producers and providing raw materials at competitive prices for the crucial wood-processing industries. As in agriculture, the government had long played a leading role in forestry, regulating tree cutting, sponsoring technical improvements, and establishing long-term plans to ensure that the country's forests would continue to supply the wood-processing industries.

Finland's wet climate and rocky soils are ideal for forests. Tree stands do well throughout the country, except in some areas north of the Arctic Circle. In 1980 the forested area totaled about 19.8 million hectares, providing 4 hectares of forest per capita—far above the European average of about 0.5 hectares. The proportion of forest land varied considerably from region to region. In the central lake plateau and in the eastern and northern provinces, forests covered up to 80 percent of the land area, but in areas with better conditions for agriculture, especially in the southwest, forests accounted for only 50 to 60 percent of the territory. The main commercial tree species—pine, spruce, and birch—supplied raw material to the sawmill, pulp, and paper industries. The forests also produced sizable aspen and elder crops.

The heavy winter snows and the network of waterways were used to move logs to the mills (see fig. 8). Loggers were able to drag cut trees over the winter snow to the roads or water bodies. In the southwest, the sledding season lasted about 100 days per year; the season was even longer to the north and the east. The country's network of lakes and rivers facilitated log floating, a cheap and rapid means of transport. Each spring, crews floated the logs downstream to collection points; tugs towed log bundles down rivers and across lakes to processing centers. The waterway system covered much of the country, and by the 1980s Finland had extended roadways and railroads to areas not served by waterways, effectively opening up all of the country's forest reserves to commercial use.

Forestry and farming were closely linked. During the twentieth century, government land redistribution programs had made forest ownership widespread, allotting forestland to most farms (see *Agriculture*, this ch.; *The Establishment of Finnish Democracy*, ch. 1; *Domestic Developments and Foreign Politics, 1948-66*,

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ch. 1). In the 1980s, private farmers controlled 35 percent of the country's forests; other persons held 27 percent; the government, 24 percent; private corporations, 9 percent; and municipalities and other public bodies, 5 percent. The forestlands owned by farmers and by other people—some 350,000 plots—were the best, producing 75 to 80 percent of the wood consumed by industry; the state owned much of the poorer land, especially that in the north.

The ties between forestry and farming were mutually beneficial. Farmers supplemented their incomes with earnings from selling their wood, caring for forests, or logging; forestry made many otherwise marginal farms viable. At the same time, farming communities maintained roads and other infrastructure in rural areas, and they provided workers for forest operations. Indeed, without the farming communities in sparsely populated areas, it would have been much more difficult to continue intensive logging operations and reforestation in many prime forest areas.

Finland's government monitored and influenced all aspects of forestry. The Ministry of Agriculture and Forestry was responsible for preparing and implementing forestry legislation. Subordinate to the ministry, the National Board of Forestry supervised private forests and managed state-owned forests. The national board also maintained liaison with the two central forestry boards, which in turn controlled a total of nineteen district forestry boards. The central and the district boards were self-governing bodies comprising representatives of the forest owners, wood-processing industries, and forestry workers. The boards supervised forest operations, often working in cooperation with the local forest management associations, which were entirely controlled and financed by forest owners.

The ministry carried out forest inventories and drew up silvicultural plans. According to surveys, between 1945 and the late 1970s foresters had cut trees faster than the forests could regenerate them. Nevertheless, between the early 1950s and 1981, Finland was able to boost the total area of its forests by some 2.7 million hectares and to increase forest stands under 40 years of age by some 3.2 million hectares. Beginning in 1965, the country instituted plans that called for expanding forest cultivation, draining peatland and waterlogged areas, and replacing slow-growing trees with faster-growing varieties. By the mid-1980s, the Finns had drained 5.5 million hectares, fertilized 2.8 million hectares, and cultivated 3.6 million hectares. Thinning increased the share of trees that would produce suitable lumber, while improved tree varieties increased productivity by as much as 30 percent.

Comprehensive silvicultural programs had made it possible for the Finns simultaneously to increase forest output and to add to

*Transporting logs from
forest to factory
Courtesy Embassy of Finland,
Washington*



the amount and value of the growing stock. By the mid-1980s, Finland's forests produced nearly 70 million cubic meters of new wood each year, considerably more than was being cut. During the postwar period, the annual cut increased by about 120 percent to about 50 million cubic meters. Wood burning fell to one-fifth the level of the immediate postwar years, freeing up wood supplies for the wood-processing industries, which consumed between 40 million and 45 million cubic meters per year. Indeed, industry demand was so great that Finland needed to import 5 million to 6 million cubic meters of wood each year.

To maintain the country's comparative advantage in forest products, Finnish authorities moved to raise lumber output toward the country's ecological limits. In 1984 the government published the Forest 2000 plan, drawn up by the Ministry of Agriculture and Forestry. The plan aimed at increasing forest harvests by about 3 percent per year, while conserving forestland for recreation and other uses. It also called for enlarging the average size of private forest holdings, increasing the area used for forests, and extending forest cultivation and thinning. If successful, the plan would make it possible to raise wood deliveries by roughly one-third by the end of the twentieth century. Finnish officials believed that such growth was necessary if Finland was to maintain its share in world markets for wood and paper products (see Wood-Processing Industries, this ch.).

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Fisheries

Unlike other Nordic countries, in the late 1980s Finland had few fishermen, and the fishing industry was small. Finland's coastal waters offered poor fishing grounds because of their low salt content (caused by the heavy flow from the country's many rivers). Rivers and lakes were often relatively unproductive because stream runoff often contained insufficient nutrients. In addition, those inland waterways that did support exploitable fish populations were often located too far from market centers to make commercial fishing profitable. Log-floating operations and hydroelectric installations disrupted some fishing grounds, and the paper industry polluted others.

The poverty of Finland's waters explained why, despite considerable government aid, relatively few Finns were fishermen. In 1985, for example, only 2,200 fishermen worked full-time, while another 5,000 worked part-time; they used a fleet of about 530 boats. That same year, the fish catch totaled some 111,000 tons, of which roughly two-thirds were salt-water fish, and one-third were fresh-water fish. Baltic herring was the most valuable catch, followed by salmon. A share of the catch came from Soviet and Swedish waters, to which Finland had gained access under bilateral agreements.

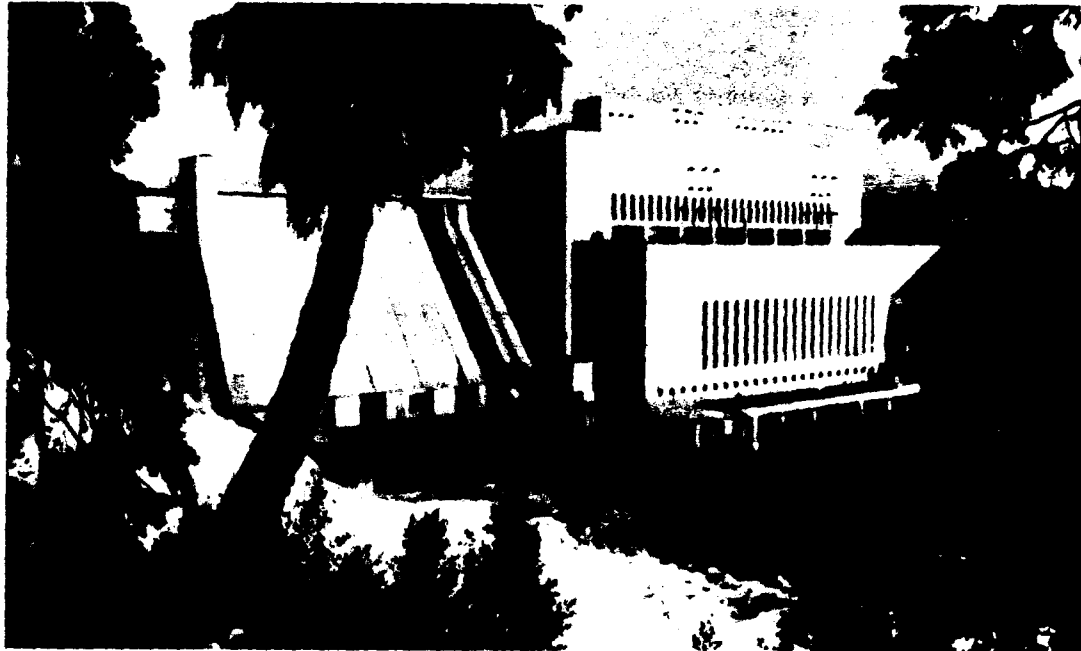
Unable to meet domestic demand, Finland had to import about 300,000 tons of fish each year, including large amounts of fish offal that was used as feed on fur farms. Demand for fish was thus relatively strong, but observers believed that, given the country's poor fisheries, it was likely that the small fishing industry would become even smaller.

Energy and Mineral Resources

Finland lacked petroleum, gas, and coal reserves, but it had significant mineral deposits. As in many industrial countries, low-cost imported petroleum fueled economic growth from the end of World War II until the 1973 oil crisis. Finland's forest industries, which were heavy energy users, had developed in the context of low energy prices. Even the achievement of agricultural self-sufficiency owed much to energy imports, in the form of either fuel for tractors or chemical fertilizers. From the 1970s, Finland's economy had to adjust to high energy costs. Finnish policy makers therefore had to ensure that the country used its other resources, including its mineral deposits, as efficiently as possible.

Energy

Even before the 1973 oil crisis, energy was a major concern, and



*Pyhäkoski hydroelectric power plant, one of the largest of its kind in Finland, located about twenty-five kilometers east of Oulu
Courtesy Embassy of Finland, Washington*

Finland had started energy-saving programs meant to cut dependence on imports and to maintain export competitiveness. Nevertheless, the country had one of the world's highest per capita rates of energy consumption. The cold climate required that the Finns expend about a quarter of their energy supply for space heating, while the relatively long distances separating Finland's settlements required heavy fuel use for transportation. The importance of energy-intensive processing industries, including not only the lumber, pulp, and paper sectors but also the minerals and basic metals sectors, further expanded the country's energy needs. In the late 1980s, Finland consumed about 30 million tons of oil equivalent per year, distributed among solid fuels (15 percent), liquid fuels (40 percent), and electricity (45 percent), which put annual per capita consumption at 0.6 tons of oil equivalent—about 50 percent higher than per capita consumption in the United States.

Domestic sources could cover only about 30 percent of total energy demand, and imported energy supplied the remainder. In 1986 the government estimated that, even assuming continued efforts at conservation, energy demand would grow by at least 1 percent per year during the 1990s and that demand for electricity would grow even faster. By the late 1980s, policy makers faced important choices in their efforts to maintain secure supplies of electricity

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and other forms of energy. Four major goals governed policy decisions: increasing the use of domestic energy sources, providing for possible import shortages, expanding electricity production, and improving conservation programs.

The state played a strong role in energy management. The government used state-owned energy enterprises and price controls to influence both production and consumption. The state owned the most important energy supply enterprises, including Imatran Voima, the largest electricity producer, which managed the national electricity distribution grid; Kemijoki, a hydropower concern; Neste, which controlled the import, refining, and distribution of petroleum and natural gas; and Vapo, a producer and distributor of peat and other domestic fuels. Another major policy tool was the control of energy prices, either directly or by means of taxes and tariffs.

Finland's main domestic energy sources were hydroelectric power, peat, and wood. By the late 1980s, the country's large hydroelectric potential had been thoroughly tapped, except possibly for the rivers protected by environmental legislation. Nevertheless, hydroelectric production could still be increased by renovating existing installations and by building additional plants at secondary sites. Encouraged by investment subsidies and by the results of state-funded research, Finland had begun systematic exploitation of its peat reserves. Peatlands covered more than one-third of Finland's surface area, but in the mid-1980s only about 5 percent of this area was being used. The government hoped to more than double peat output by the year 2000. Wood was widely used for heating in rural areas, especially after the oil price increases of the 1970s; it was even more important for the forest industries, which used waste wood to supply about 60 percent of their energy needs.

Despite increased use of domestic energy sources, the economy depended on imports of petroleum, coal, natural gas, uranium, and electricity. Observers expected that this dependence would get worse in the 1990s and beyond as consumption increased. Moreover, the fall in world petroleum prices, starting in the early and mid-1980s, had made oil imports more competitive and thus might delay investments in domestic energy sources.

The Soviet Union was traditionally Finland's main energy supplier, providing petroleum, natural gas, electricity, uranium, and even nuclear fuel reprocessing services. Energy products played an important role in Finnish-Soviet trade, accounting for about 80 percent of Soviet exports to Finland. The decline in world petroleum prices in the 1980s meant that Finland had to increase

the volume of petroleum imports from the Soviet Union in order to maintain the level of sales to the Soviet market. To respond to the resulting oversupply of crude petroleum, Neste began refining oil for export (see Regional Economic Integration, this ch.). Finland's imports of Soviet natural gas transited a pipeline to the southeastern part of the country, with branches leading to the Helsinki and the Tampere areas. In the late 1980s, Finland participated in discussions regarding the construction of a Nordic gas pipeline network that was designed primarily to transport Soviet gas to other Nordic countries but that might also carry Norwegian gas to Finland.

The Finns reduced their dependence on Soviet energy by patronizing other suppliers. For example, during the late 1980s, the Finns began importing coal not only from Poland and the Soviet Union but also from the United States, Colombia, and Australia. Coal imports had declined in the late 1970s as a result of rapid increases in the generation of electricity from nuclear plants, but they rose again by the mid-1980s to some 5 million tons per year. Finland also purchased electricity from Sweden, and the Finns were interested in finding other sources for electricity imports.

To reduce further their vulnerability to cutoffs of foreign energy supplies, the Finns also undertook an energy stockpiling program. Informed observers believed that the country maintained stocks sufficient to supply it for six months, which compared favorably with stockpiles held by other industrial countries.

Experts predicted that Finland would face an electricity shortage by the mid-1990s, unless additional generating capacity came into operation by then. Electricity consumption had grown faster than energy use as a whole during the 1980s, largely because more and more households had switched to electric heating. In the late 1980s, most observers expected that demand would rise by 2 to 3 percent per year until the year 2000. Finland's growing needs for electric power spurred attempts to increase domestic generating capacity, which in early 1986 had reached 10,700 megawatts. In the late 1980s, hydroelectric plants supplied approximately 30 percent of total electric power. Finland produced about 41 percent of its electricity at four nuclear power plants built between 1977 and 1980: two Swedish-made, 660-megawatt, boiling-water reactors on the island of Olkiluoto; and two Soviet-made, 440-megawatt, pressurized-water reactors at Loviisa. Conventional thermal plants accounted for another 22 percent of electricity production, and imports from neighbors covered the remaining 6 percent.

In early 1986, the Ministry of Trade and Industry prepared a plan for the 1990s that called for increasing installed electrical

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capacity by about 2,700 megawatts by the year 2000. About 1,200 megawatts of the new capacity was to come from small plants scattered around the country. Another 1,500 megawatts would have to come from large plants—peat-fired, coal-fired, and nuclear. According to the plan, Finland could either import another 500 megawatts from the Soviet Union or further expand nuclear capacity.

In the spring of 1986, the Eduskunta almost approved the plan, including the construction of a fifth nuclear plant. Public reaction to the nuclear disaster at Chernobyl in the Soviet Union froze consideration of nuclear power, however, and induced a complete review of energy policy. Public pressure caused the government to replace the proposed plant with coal-fired plants. Despite this setback to the nuclear industry, informed observers believed it probable that Finland would increase its nuclear capacity in the 1990s, once public opposition had died down.

Since the 1970s, the government has made considerable efforts to spur energy conservation. Domestic energy prices have been maintained at realistic levels—gasoline prices were among the highest in all European countries—encouraging the public to conserve. The government raised energy efficiency standards for home construction and renovation, cutting energy use for heating by 30 to 40 percent over a decade. Finland pioneered the development of district heating, which used otherwise-wasted energy from power plants. Observers predicted that this efficient source of domestic heat would supply half the country's homes by the year 2000. Environmentalists believed that further energy savings could be achieved that would reduce the need for building more power plants, but mainstream opinion supported continued increases in energy production to support economic growth. Yet no matter how much Finland conserved, the country would still need to import large amounts of energy and would face difficult trade-offs between the benefits and the risks and costs of various energy options.

Minerals

Finland contained only limited mineral deposits, and it continued to be only a modest producer of minerals. The country's most important deposits were located at Outokumpu in eastern Finland (see fig. 17). Discovered in 1910, the Outokumpu area contained commercially exploitable deposits of copper, iron, sulfur, zinc, cobalt, nickel, gold, and silver. In 1953 prospectors discovered a major source of iron ore at Otanmäki in central Finland. Other sites yielded nonmetallic minerals, including pyrites and apatite (a low-grade phosphoric ore used for fertilizer production), and



*Nuclear power plant at Loviisa (Loviisa) on the southern coast,
about seventy-five kilometers east of Helsinki
Courtesy Embassy of Finland, Washington*

stone for building. The mineral industry employed more than 60,000 people, but only 500 of them were in mining and quarrying; the others worked in mineral processing.

The government intervened directly in the mineral sector. Under Finnish law, the Ministry of Trade and Industry controlled prospecting and mining rights. The ministry's Geological Survey dominated prospecting, and it had made most major mineral discoveries. The ministry controlled most production through joint-stock companies, in which the state owned most or all of the shares, but in which the management ran the companies much like private firms. The industry comprised two large, state-controlled companies, the Outokumpu Group and Rautaruukki, and a number of smaller, generally private companies. The Outokumpu Group, by far the largest producer, operated the Outokumpu mines, as well as others producing cadmium, chromite, ferrochrome, mercury, pyrite, and zinc. The company also invested in foreign mines and produced mining equipment. Rautaruukki controlled the Otanmäki iron mine, other mines producing cobalt, quartz, and vanadium, and Finland's largest steel plant.

By the mid-1980s, Finland had exploited most of its limited mineral deposits and had to work hard to supply its processing industries. The Geological Survey had undertaken an extensive

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exploration program to find new resources. Finnish firms had purchased interests in mineral operations in other Scandinavian countries, and they had participated in joint ventures with Soviet enterprises to exploit the rich mineral deposits on the Kola Peninsula. The leading companies had also developed vertically integrated structures, investing in all stages of metal production from the design and production of mining equipment to metal processing. The Outokumpu Group, for example, was one of the few firms in the world that controlled all aspects of the production of stainless steel. Industry leaders hoped that, as mining output fell during the later years of the twentieth century, overseas investments and vertical integration would make it possible to maintain employment despite the exhaustion of domestic mineral resources.

Industry

Although industrial development began later in Finland than it did in many other European countries, by the 1950s manufacturing and processing had replaced agriculture and forestry as the leading sectors of the economy. By the late 1970s, the service sector had surpassed industry in total production and employment, but industry remained the main export earner, allowing the country to pay for needed imports of energy and raw materials. Labor efficiency was greater in industry than it was in the economy as a whole—the one-third of the work force employed in industry produced about 40 percent of GDP—and it continued to grow at a higher rate here than it did in other sectors. In turn, industrial wages tended to be higher and to rise faster than the national average, making industrial jobs attractive. Thus, although some observers categorized Finland as a postindustrial society, the Finns strove to maintain industrial competitiveness, which they saw as the foundation for their high standard of living. By the early 1980s, however, as a result of the oil crises of the 1970s and the increased competition in world markets for manufactured goods, Finnish industry faced serious challenges. Many observers argued that to maintain industrial exports, the Finns would have to shift from heavy industry to high-technology products.

The geographical distribution of industry had been strongly influenced by the relative shortage of raw materials (other than lumber) and by the small size of the domestic market. The wood-processing industries had grown up on rivers near the coast of the Gulf of Bothnia and the Gulf of Finland, in locations that offered sources of both lumber and hydroelectric power as well as access to foreign markets. As many raw materials were imported and most industrial production was exported, other industries had grown

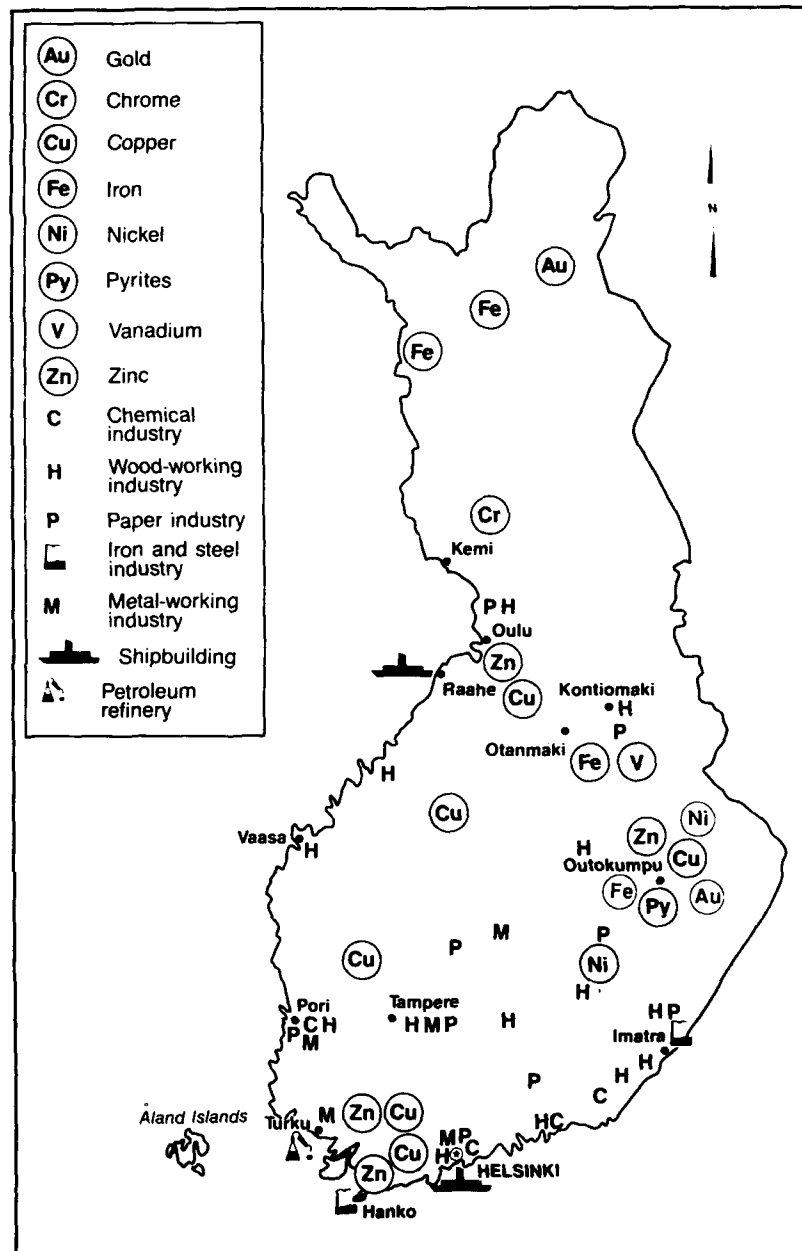
up in the four southern provinces, especially near Finland's main harbors along the southern coast. Although the government had implemented policies that favored development in the north during the postwar period, in the late 1980s more than 70 percent of industrial jobs were still located in the south. In the long run, the development of high-technology industries, less dependent on transportation and energy supplies, might facilitate efforts to decentralize industry, but such development would be gradual.

Once dominated by the forest industries, Finnish industry underwent rapid structural change after World War II. A boom in metalworking began in the immediate postwar years in response to the need to ship capital goods, including machine tools, ships, rolling stock, and chemicals, to the Soviet Union (see *The Effects of the War*, ch. 1). By the mid-1950s, heavy industry had taken over the leading role traditionally held by wood products. Beginning in 1957, Finland began to liberalize its trade policies, forcing domestic industry to compete in world markets and bringing new industries to the fore, especially metalworking and engineering, but also petroleum refining, chemicals, plastics, and high-technology goods (see table 18, Appendix A).

Guided by domestic and foreign tastes and by fierce international competition, industrial firms had developed a wide range of products and had maintained quality standards that were often higher than those typical of industry in the United States. Aware of the relatively small size of their industry, industrial leaders and government officials aimed successfully for technological leadership in narrowly defined subsectors in which Finland enjoyed comparative advantages. Since the 1950s, Finnish firms have been able to dominate world markets for products such as icebreakers, wood-processing and paper-processing machinery, and environmental protection equipment. Buyers of such products were often less sensitive to price increases than they were to technical innovations, quality, and durability. At the same time, Finland had avoided some of the structural weaknesses, such as excessive investments in declining product lines, that plagued the other Nordic economies.

Finland's industrial structure traditionally was polarized between large and small firms. In the early 1980s, the vast majority of Finland's 15,000 industrial firms each employed fewer than 100 people. These small firms accounted for only about one-fifth of the industrial work force and for slightly more than one-fifth of the value of industrial output. The approximately 130 firms that employed more than 500 people apiece commanded about 60 percent of the labor force and produced about two-thirds of industrial output. During the mid-1980s and the late 1980s, a wave of

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Source: Based on information from Federal Republic of Germany, Statistisches Bundesamt, *Länderbericht Finnland*, 1986, Wiesbaden, 1986, 9.

Figure 17. Minerals and Industries, 1985

mergers further reduced the market share of small firms. Although industry was thus quite concentrated, the flexibility and innovativeness of small firms had often proven crucial, and observers believed that small firms would continue to serve important entrepreneurial functions.

Despite many notable successes, industry faced new difficulties in the 1970s and the 1980s, in addition to increases in world energy prices. By the late 1970s, industrial firms faced tougher foreign competition and had to scramble to maintain their shares of export markets. To ensure competitiveness, industry needed to renovate existing plants and to increase sharply investments in high-technology product lines that could supplement traditional specialties.

Industrial capital formation was a major priority. Although Finland's relatively recent industrial development meant that many industrial facilities were still relatively new and efficient, the drive to develop high-technology production required massive investments. Industrial firms carried a debt load that averaged about 80 percent of total assets, making further investment difficult. In the late 1980s, however, a number of developments promised to improve industrial financing. Helsinki's financial markets were becoming more innovative, and informed observers expected that the state would cut taxes on corporate profits, would eliminate taxes on industrial energy consumption, and would increase tax credits offered for research and development expenditures (see Banking and Finance, this ch.). Despite these positive developments, however, industry needed to attract more resources from abroad if it were to remain competitive in world markets.

Finland's industry had long depended on world markets, but until the 1980s direct foreign investment in Finland had played only a minor role. The country hosted significantly fewer foreign firms than its Nordic neighbors, partly as a result of limitations on foreign ownership of Finnish assets. Such regulations had been relaxed after 1980, but foreign firms still controlled only about 5 percent of industrial capacity. Finnish firms likewise began to invest abroad in the 1970s. Thus, whereas in 1970 only 5 Finnish firms had invested in the United States, by 1987 about 250 had done so. By the late 1980s, internationalization had begun to supplant the traditional strategy of specialization, as more and more firms entered joint ventures with foreign partners and built plants in countries to which they exported. The trend toward internationalization offered the prospect that Finland would be able to attract additional capital and up-to-date technologies.

Industrial Policy

The state had played an important role in Finland's industrial development, but it did not intervene directly so much as many other European governments. Intervention in industry began in the mid-nineteenth century, and it increased over time. Tariff policy and government procurement, the latter being especially important during the two world wars, furthered the development of manufacturing. The government's influence was probably most important in the years after 1944, when Finland struggled to make reparations payments to the Soviet Union. Partially as a legacy of this period, the state controlled companies that owned about 15 percent of manufacturing capacity, employed about 14 percent of the work force, and contributed about 25 percent of industrial value added. The state was especially active in sectors requiring heavy investments, such as basic metals and shipbuilding. These state-owned firms, however, did not receive government subsidies; if unprofitable, they failed. Thus, while the state controlled most prices and implemented long-term sectoral plans in agriculture, forestry, energy, and minerals, state-owned firms in manufacturing remained largely free to manage their own affairs.

In the late 1980s, Finnish industrial policy continued to be considerably less interventionist than the policies of most West European countries. The government's strategy for industries that were having difficulty favored rationalization and restructuring instead of subsidies. Industry was encouraged to step up investments to increase productivity and to arrange mergers with domestic and foreign interests to increase efficiency. Policy makers argued that industry, as a small sector (compared with that of many other countries) open to private investment but dependent on exports, must adjust to international conditions.

Despite this hands-off approach, the government did subsidize the research and development of new industrial technologies. Research and development expenditures had remained low until the 1980s, reaching only slightly more than 1 percent of GNP in 1980. After that time, however, the government increased such spending, which exceeded 2 percent of GNP by the late 1980s. The State Technical Research Institute in Otaniemi, founded in 1942, played an important role in providing industry with up-to-date information on new technologies; its maritime engineering laboratory was one of the largest and best equipped in the world. In 1984 the Ministry of Trade and Industry initiated a four-year program of research on target technologies, including applications of laser technology to machine engineering, advanced measurement techniques, and offshore



*Pulp mill and paper factory at Mänttä in the province of Häme
Courtesy Embassy of Finland, Washington*

construction techniques for arctic conditions. The government also sponsored technology parks, such as the one at Oulu, that provided facilities for cooperative research projects involving industry and local universities. In addition, investments in technical training promised a continuing supply of workers able to maintain the quality, durability, and dependability of Finnish industrial goods.

Wood-Processing Industries

Wood processing has long been the mainstay of the Finnish economy. Facilitated by extensive timber supplies, convenient transportation, and abundant water power, lumbering and papermaking developed rapidly after 1860 to meet growing European demand for paper products and lumber. Production and export patterns established before 1900 lasted until the second half of the twentieth century; in the 1950s, wood and paper products accounted for some 80 percent of total exports. By the 1980s, however, although the sector had continued to expand in absolute terms, its share of exports had fallen to about 40 percent as a result of the rapid growth of the metalworking sector, which had surpassed woodworking in both value added and employment in 1969.

Despite this relative decline, forest products were still the country's most important earner of foreign exchange in the late 1980s.

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Roughly four-fifths of wood and paper production was sold abroad, while most raw materials—including energy—were produced at home; and, although the sector contributed only about one-fifth of industrial value added, it still accounted for about one-quarter of industrial employment.

Analysts conventionally divided the woodworking industries into two branches, mechanical and chemical, depending on the primary means of processing in each branch. The mechanical branch comprised milling, manufacturing of plywood and particle board, and fabrication of furniture and building components. In 1986 the branch included some 200 large sawmills that produced most exports and some 6,000 small mills that met local needs. Products of the chemical branch included pulp and paper, cardboard, and packaging materials. In 1986 the chemical branch encompassed twenty-four pulp mills, thirty paper plants, and sixteen cardboard factories. The division between the two branches was somewhat artificial, however, as many leading firms operated integrated plants in which sawdust, waste wood, and chemical byproducts of mechanical processes served as raw materials for such chemical products as pulp and turpentine. Industrial waste also supplied a large share of the industry's needed energy, making the chemical branch self-sufficient and reducing the energy demands of the mechanical branch.

Finnish manufacturers had long been leaders in developing new wood-processing technologies. Several firms had developed their own shops for machine building, and their highly efficient paper-making equipment had captured an important share of world markets.

In the 1980s, Finland's wood industries experienced increasing difficulties in exporting, largely as a result of rising input costs. Wages and stumpage (value of standing timber) rates were traditionally higher in Finland than they were in many competitor countries. Moreover, by the early 1990s analysts believed that the mechanical branch, which consumed about one-third of Finland's electricity, might face an energy shortage because of the 1986 decision not to build a fifth nuclear plant (see *Energy*, this ch.). In response, firms modernized their plants and shifted to higher-value-added products.

In the mid-1980s, interfirm cooperation and a wave of mergers resulted in concentration of production at a smaller number of centers, and observers expected that industry restructuring would continue into the 1990s. An increasing tendency to build plants overseas, which improved access to Finland's main markets, complemented the merger drive. The government had stepped in with

the Forest 2000 program and with a system of tax incentives for logging, both of which were designed to allow wood harvests to increase by about 3 percent per year until the end of the century (see Forestry, this ch.). By 1986, moreover, representatives for workers and landowners, apparently recognizing some of the difficulties faced by the industry, had negotiated decreases in both wages and stumpage prices.

Metal Industries

The metal industries led Finland's postwar economic development, and they were crucial to the country's economic health. Until World War II, Finland generally produced relatively unsophisticated goods for domestic consumption. The country's shortages of energy, basic metals, and capital accounted for the sector's slow development. Although Finland had produced ships and other capital goods for the Russian market since the late nineteenth century, the real breakthrough came after 1944. Then the metalworking industry, goaded by Soviet reparations demands, overcame its handicaps, sharply increasing both the quantity and quality of output. Reparations deliveries ended in 1952, but the Soviet Union continued to absorb Finnish metal goods. By the late 1950s, Finland had built an efficient and innovative metalworking sector.

In the 1960s, the metalworking sector, stimulated by the effects of trade liberalization, embarked on an export drive in Western markets. Domestic demand rose as a result of both the expansion of the forest and the chemical industries and major infrastructure projects. Throughout the 1960s and the 1970s, the sector prospered, growing at an average annual rate of over 6 percent, higher than the rates of other industrial sectors. The strategy of specializing in a small number of products in which the country already possessed a comparative advantage paid off in export markets. Finnish design, which integrated ergonomics, durability, and attractive appearance, also helped maintain sales. Thus, the sector was relatively well prepared to respond in the 1970s, when rapid increases in energy prices, competition from newly industrialized countries, and worldwide improvements in capital-goods technologies threatened profitability.

Beginning in the mid-1970s, metalworking, like the forest industries, underwent a period of intense rationalization and restructuring—with only limited state help. By the late 1980s, it appeared that the sector was well on the way to transforming itself to meet the conditions of high energy costs. Indeed, metalworking grew faster in Finland than it did in most industrialized countries, and it remained Finland's leading industrial sector.

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Finnish analysts divided the sector into four branches: basic metals, machine building, transport equipment, and electrical equipment. Although many companies were active in more than one branch, the categories provide a useful framework for reviewing industrial developments.

Basic Metals

Domestic ore could not meet industrial demand, but the efficient metal-processing branch, which had developed some of the world's most advanced technologies, provided a firm foundation for the production of more advanced goods (see Minerals, this ch.). State-owned firms (and firms in which the state owned a majority interest) led the development of metals production. The Rautaruukki works at Raahen in northern Finland, for example, was the main producer of iron and steel. The state and major engineering firms jointly owned the enterprise, an arrangement that ensured that the works responded well to the needs of industries using their products. The works remained profitable during the late 1970s and the early 1980s, a period marked by the decline of the European steel industries. This success was due not only to adept management but also to good labor relations. Likewise, the state-owned Outokumpu Group, which possessed flash-smelting technology that gave it a major advantage during the mid-1980s, controlled much nonferrous metals production. While most of Finland's iron and steel were used at home, most of its copper, zinc, and nickel were exported.

Machine Building

Based on sophisticated technologies and on careful specialization, machine building was an essential complement to other industries, but it was growing slowly by the late 1980s. Employing about one-third of the metalworkers, the sector concentrated on such product lines as sawmill and papermill machinery and mining equipment. By the late 1980s, Finland had captured about one-fifth of the world market for papermaking equipment, and it led in selected metal-processing technologies. The branch also had increased its capability to produce cranes, lifts, hoists, forklifts, and cargo-handling vehicles. Another strong point was agricultural and forestry machinery, including tractors, combines, and logging machines, of which Finland was the largest producer in Nordic Europe. As Finland's economy matured, however, investment in capital goods declined, forcing the sector to search for markets abroad. Although Finnish equipment enjoyed a strong reputation abroad, demand for the country's specialties was limited.

Transport Equipment

Shipbuilding, which had led the development of heavy industry, continued to be the most important branch of the transport sector, and it determined the sector's health. The land transportation branch, however, led by exports of railroad locomotives and rolling stock to the Soviet Union, provided a valuable supplement to shipbuilding. Finland first began to produce automobiles in 1969, and it had developed a full range of vehicles.

By the late 1980s, Finland's shipbuilding industry ranked fifteenth worldwide. The country boasted eight major shipyards, which employed about 14,000 highly skilled workers. Unlike many other countries (including nearby Norway), Finland had avoided large investments in petroleum tankers, a choice that proved to be a blessing when the world tanker market slumped in the late 1970s. Instead, Finland had specialized in high-priced vessels such as icebreakers, luxury liners, car ferries, ocean exploration vessels, and container ships. Starting in the 1970s, shipbuilders also had branched out into offshore oil-drilling platforms and equipment. Finnish icebreakers were world-famous—the country had produced about 60 percent of all icebreakers in service by the late 1980s. Finland also specialized in vessels designed to operate in arctic conditions. Such projects were well suited to Finnish expertise, and they yielded higher-value-added products that compensated for high input costs.

Shipyards exported up to 80 percent of their production, which made them heavily dependent on world market developments. The shipbuilding industry had survived the difficult years following the 1973 and the 1979 oil shocks without subsidies from the government (except for occasional favorable financial packages); these years had seen a wave of mergers and large-scale investments that had improved competitiveness. Above all, the industry owed its success to continued orders from the Soviet Union in a period when demand lagged in Western markets. Finland was thus the one European country in which the number of shipyard workers had increased after 1975. During the same period, the Finns built two new shipyards for oceangoing vessels, established a heavy engineering works for oil-drilling rigs, and modernized older yards.

By the late 1980s, however, it appeared that shipbuilding was entering a crisis. The decline in the price of oil in the middle of the decade caused a reduction in Soviet purchasing power, limiting new orders for ships (see *Regional Economic Integration*, this ch.). Moreover, Soviet buyers, who had long preferred Finnish ships, had started to place orders with other countries, including

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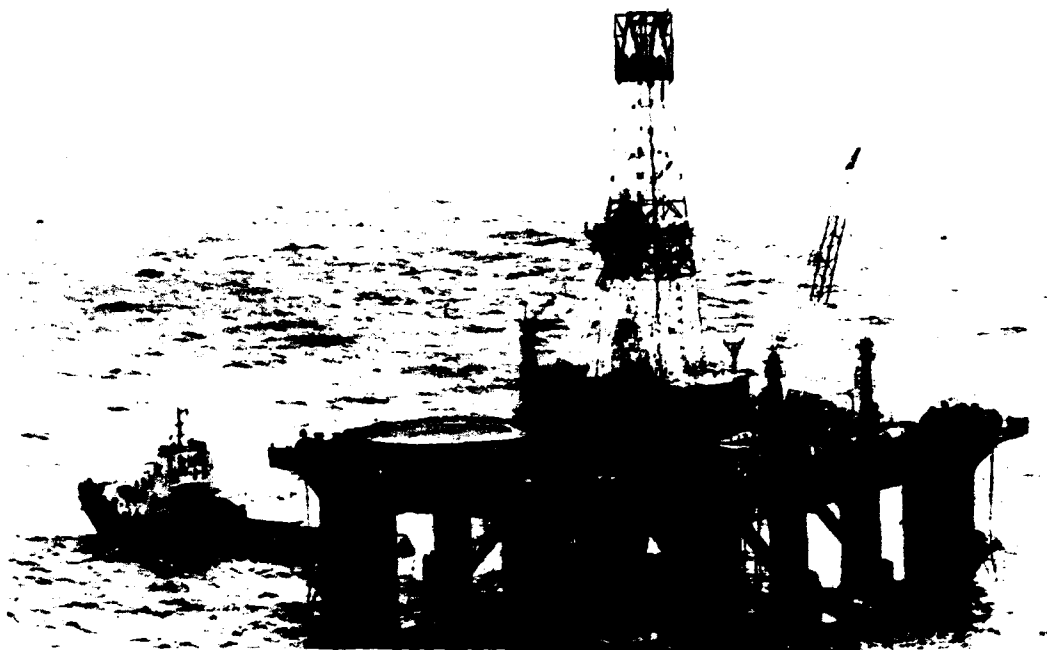
East European firms that enjoyed lower labor costs. At the same time, certain Finnish specialties, such as icebreakers, were attracting competition from more advanced shipbuilding countries such as Japan.

The crisis in shipbuilding led to a decline in employment and to further restructuring. In July 1986, two of Finland's four major shipbuilding companies, Wärtsilä and the Valmet Group, merged their shipbuilding divisions and planned to eliminate about 40 percent of their 10,000 jobs. Another several thousand workers were out of work, and the increased competition from the new firm threatened the two remaining firms, Rauma-Repola and Hollming. Indeed, competition had already undermined an arrangement under which each firm specialized in a particular field: Wärtsilä in icebreakers and luxury liners, the Valmet Group in cargo ships, Rauma-Repola in offshore oil equipment, and Hollming in high-technology research vessels. As the crisis continued, industry analysts began to question whether the industry could survive without government bailouts.

Electrical Equipment and High Technology

Production of electrical equipment had started somewhat slowly, but during the 1970s and the 1980s the branch grew rapidly. The branch produced both heavy goods—such as power plant generators, heavy-duty electric motors, and equipment for icebreakers—and lighter goods—such as household appliances, lightbulbs, and building components. By the mid-1980s, however, the heavy electrical engineering producers were experiencing stagnant markets and fierce competition. Electronics, however, grew rapidly, expanding its product range from consumer electronics to include computers; communications equipment; and monitoring, control, and measuring equipment. The Finns developed particular competence in control systems for the mining, metallurgical, and forestry industries; computers for hospitals and laboratories; patient-monitoring machines; meteorological installations; and telephone equipment. Finland, which included many areas that were too sparsely populated to allow the construction of a comprehensive telephone network, also was one of the world's leaders in the production of mobile telephones.

Although electronics was still small compared with other industries, many Finns believed that it had good prospects and that it might eventually make up for the impending decline of shipbuilding and other traditional industries. Thus, in the mid-1980s, both industry and government began to pay increasing attention to the development of high technology, especially in the electronics



*Finnish-built oil-drilling rig Dyvi Delta in the North Sea
Courtesy Embassy of Finland, Washington*

industry. The Finns seemed intent on specializing in high-value-added products in which the country had a comparative advantage, an approach similar to that which had proved so successful in other sectors.

The leaders of the electronics industry, aware that the small sizes of their firms made it difficult to compete, banded together to share research and development expenses. The government facilitated cooperation among firms through the Technology Development Center (Teknologian Kehittämiskeskus—TEKES) established in 1983. Electronics firms were also willing to join international research and development consortia that offered access to foreign technologies. However, despite the rapid development of high-technology electronics in Finland, by the late 1980s it was still too early to predict how well Finnish producers would be able to compete in world markets.

Other Industries

Several smaller sectors contributed significantly to industrial output. Food processing—concentrating on dairy products, baked goods, and preserved meats—grew during the postwar period, as rapid urbanization heightened reliance on processed foods. Indeed, as late as 1970 food processing was the largest sector in terms of gross value of production (but in terms of value added, food

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processing ranked only third that year, behind wood and metal processing). Nevertheless, during the 1970s and the 1980s, food processing suffered a relative decline.

In the 1980s, the food industry undertook an ambitious research program aimed at foreign markets. Finnish firms hoped to develop special foods for the cafeterias of hospitals, mines, and oil rigs as well as to develop delicacies, such as fresh berries and fresh-water fish. New technologies, such as plant and animal genetics, freeze-drying, irradiation, aseptic production, and methods to limit food oxidation, promised to improve the attractiveness of Finnish products. Another export was highly automated equipment for bakeries, dairies, and slaughterhouses. Although Finland's high production costs limited exports of staple foodstuffs, observers believed that the industry could expect to sell special products in Europe and in North America.

Finland's chemical industry, established at the time of independence, had come a long way by its seventieth anniversary in 1987. By the late 1980s, the sector ranked fourth after wood, metal, and food processing. Oil refining accounted for about half the gross value of chemical production, followed by fertilizers, plastics, fibers, rubber products, and other chemicals. Two large, state-owned firms controlled more than half of chemical production. Neste, established in 1948, was the only oil-refining enterprise. Its chemical operations had grown out of refining, while its rival, the Kemira Group, had developed interests in many products, including fertilizers, paints, fibers, and industrial chemicals. During the 1980s, both companies had purchased production facilities abroad in an attempt to remain on top in an international market that suffered from overcapacity in many basic product lines.

Construction, which accounted for almost 10 percent of GDP in 1950, declined to less than 8 percent of GDP during the post-war period, as the country completed its transportation and energy infrastructure and established heavy industry. In the short term, construction activities depended on the overall health of the economy. Thus, new building slumped from 1984 to late 1986 because of a recession and because many industries invested more in new machines than in new buildings. Residential construction was also slow in the mid-1980s, but it responded to financial stimuli after 1985. By late 1986, both commercial and domestic building were on the rise, increasing by an estimated 3 percent in 1987. Finland also exported construction services, especially to the Third World and to the Soviet Union, usually to complement exports of machine goods. The industry was able to offer clients all types of planning, engineering, and building services for turnkey factories.

Textiles and ready-made clothing, two of the country's oldest industries, concentrated on cotton, wool, and knitted goods. During the postwar period, this sector had declined in relation to other industries; however, in the 1980s, Finland still produced high-quality fabrics and fashions for export, especially to Europe. Likewise, Finnish fur and leather designs had carved out export markets in the developed countries.

Services

Although the Finns continued to place a high value on agricultural and industrial employment, by the 1980s the economy had already entered an era characterized by the development of services. While in 1950 services accounted for only 35 percent of total domestic output, the sector provided over 55 percent in 1985. The postwar development of a welfare state stimulated growth in the state sector, and other activities, such as financial and engineering services, expanded as the economy industrialized (see Welfare System, ch. 2). Services traditionally remained insulated from international markets, but during the 1980s the government encouraged the development of service exports and even allowed foreign enterprises to enter such previously protected markets as those in financial services. In line with this liberalization, the government repealed regulations that hampered the working of markets in services, causing the important branches of the sector to become efficient enough to compete in world markets.

Banking and Finance

Under the regulatory structures that had developed since the mid-nineteenth century, banks had dominated the financial scene, leaving the stock market and insurance companies to play secondary roles. Control over investment capital gave a few large banks great power. Distinct laws for each type of bank contributed to the development of a fragmented banking structure in which separate types of institutions served different purposes. Closely regulated by the central bank, the operations of which depended less on market mechanisms than on capital rationing, the traditional financial system served Finland's postwar reconstruction and industrialization well. This same system, however, appeared outdated in the dynamic international markets of the 1970s and the 1980s. As a consequence, a process of deregulation and internationalization was begun, which led to rapid changes in the financial sector. Observers expected further changes during the late 1980s and the early 1990s. In mid-1988 the process of liberalization was still incomplete, however, and many institutions retained their

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customary roles, making Finland's financial system a peculiar mixture of new and old.

Founded in 1811, the Bank of Finland (BOF) first provided the services of a true central bank in the 1890s. Formally independent, the BOF's management comprised bodies responsible to both the executive and the legislative branches of government. The governor and a board of directors, who were appointed by the president of Finland, controlled day-to-day operations. A nine-member supervisory council, named by and responsible to the Eduskunta, reviewed bank policy and made most fundamental decisions, especially those regarding monetary policy. The BOF served as the lender of last resort, and it regulated the currency and the financial markets. It also determined monetary policy and participated in the formulation of government economic strategies (see *Role of Government*, this ch.).

Although BOF policy originally had concentrated on maintaining the value of the currency, during the Great Depression of the 1930s the influence of Keynesian theories began to modify bank policies. After World War II, the BOF developed regulations designed to favor reconstruction and the development of manufacturing, and these remained in force almost unchanged throughout the 1960s. The regulations were part of a comprehensive government scheme for financial markets that included foreign-exchange restrictions, regulation of bank lending rates, a quota system for bank borrowing from the BOF, and an interbank agreement on deposit rates. At the heart of the system were tax rules that made interest earnings on bank deposits tax-free and interest charges paid by companies on loans fully deductible. These two measures combined to favor bank deposits and to facilitate debt financing for industry. The BOF used this panoply of regulations to hold borrowing rates artificially low—generally at negative real rates—to favor investment. As money markets were not in operation, the BOF resorted to distributing specific quotas of credits to commercial banks. Strict limits on the foreign-exchange market protected the system from international competition.

Besides the central bank, the banking system included a small number of commercial banks based in Helsinki, many local branches of cooperative and savings banks, and a small number of state-owned banks. The commercial banks differed from the others because they could borrow directly from the BOF, and they controlled most corporate banking. The networks of savings and cooperative banks primarily served households, which provided a solid deposit base. The split between the two banking networks was not absolute, however, as the savings banks and the cooperative

banks had formed their own so-called central banks, which enjoyed commercial bank status.

Finland's commercial banks were the real leaders of the financial industry, and they controlled most lending to Finnish corporations. Although about ten banks were considered to be commercial banks, only two—the Suomen Yhdyspankki (Union Bank of Finland—UBF) and the Kansallis-Osake-Pankki (KOP)—were national banks with extensive branch networks. The four foreign-owned banks active in Finland also operated as commercial banks.

The cooperative and savings banks served a wide range of regional and local customers, but usually exercised relatively little economic power. They tended to specialize in providing home and farm banking services in rural areas. The savings banks were non-profit banks designed to promote saving, and they served small-scale trade and industry as well as households.

Although private banks formed the backbone of Finland's financial structure, state-owned banks still accounted for about one-quarter of bank assets in the mid-1980s. The most important of these, the Postipankki, had about 40 branches of its own and made its services available at windows in more than 3,000 post offices throughout the country. Other state banks included the Industrialization Fund of Finland, Finnish Export Credit (partially owned by commercial banks and private industry), and the State Investment Fund and Regional Development Bank, both of which invested in underdeveloped regions and in industries with capital requirements that were too large for private firms. Finland's commercial banks traditionally were allowed to hold as much as 20 percent of the total assets of Finnish corporations, and the leading banks had substantial holdings in the largest corporations. A 1987 law reduced the cap on bank ownership of corporate assets, but the banks' real power derived from their control over capital supplies. During the long postwar period of negative real interest rates, banks controlled the supply of capital—much of which was imported from abroad by the BOF. The two largest banks, KOP and UBF, built up rival spheres of influence that extended to many of Finland's largest industrial firms.

The crises and the restructuring of the late 1970s and the early 1980s provided the leading banks with further opportunities to strengthen their hold on Finnish industry. Starting in the late 1970s, KOP and UBF arranged many mergers among the wood-processing companies; by the mid-1980s, they had turned their attention to rationalization in the metal-processing industry. Several banks also engaged in takeover battles through the Helsinki Stock Exchange.

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In the 1970s, several developments combined to reshape the operations of the postwar financial system. First, many corporations began to search for investment opportunities that offered both liquidity and higher rates of return than those offered for bank deposits. Second, as Finland shifted from importing capital to investing abroad, the old restrictions on foreign-exchange transactions became burdensome. Finally, a number of major Finnish corporations, having large shares of the domestic market, sought to expand abroad. Some, intent on foreign acquisitions, wanted to sell stocks on world exchanges in order to build assets sufficient for world-scale operations.

By the late 1970s, in response to the increasing internationalization of corporate life, the BOF management became convinced of the need to liberalize the regulatory system. The bank relaxed controls on borrowing abroad, and it allowed the establishment of an interbank money market; at the same time, the banks began to compete on interest rates for large deposits. These two developments caused Finnish interest rates in the corporate market to float up toward world levels, while the rates for most small depositors remained controlled. In 1982 the BOF allowed foreign-owned banks to open branches in Finland. In 1984 the BOF permitted Finnish banks to establish branches abroad, abolished bank-specific credit allocation, and began to levy identical reserve requirements on all banks. In 1987 legislation on bank deposits eliminated their traditional tax-free status. And in early 1988, the government proposed new banking laws that would put all major banks on the same legal footing.

The BOF had thus been willing to deregulate corporate banking partially, but important aspects of the regulatory system remained unchanged. The BOF continued to watch closely both foreign long-term borrowing and investments abroad by Finnish corporations. Retail banking continued much as before: small deposits placed at the regulated rates were tax-free, and the banks maintained their interest-rate cartel. The Finns had become accustomed to low and stable interest rates; proposals regarding interest were politically sensitive and might influence incomes agreements. Most observers thus expected that the BOF, ever cautious, would not rush toward further deregulation.

One effect of the liberalization of financial regulations and the internationalization of Finnish commercial life was the revival of the Helsinki Stock Exchange. Turning away from debt financing, more and more corporations issued stocks and bonds in the 1980s. Starting in 1982, the stock exchange attracted foreign investors, who accounted for about one-third of turnover in 1985. Younger,

more prosperous Finns showed increased interest in stocks. As a result, although the market suffered a major slump in the second half of 1984, by late 1986 the stock index had increased tenfold compared with its 1980 level.

Incorporated in 1984, and almost immediately shaken by allegations of insider trading, the stock exchange in 1985 issued new regulations that were intended to increase the openness of its operations, thereby increasing its attractiveness for small investors. In 1987 the government reduced restrictions on foreign investors and passed a law allowing banks and insurance companies to set up mutual funds. In the fall of 1987, options exchanges opened, offering new instruments to stock traders. Also likely to enliven the market was legislation of the same year that eliminated the tax-free status of bank deposits. As Finnish equities continued to offer better rates of return than those on many markets, stock brokers had good reason to be optimistic.

Insurance companies, once marginal actors in capital markets, became Finland's largest institutional investors, after the establishment of compulsory insurance schemes in the early 1960s. After that time, insurance grew faster than the economy as a whole, and it contributed some 5 percent of GNP in the mid-1980s. As the result of restructuring in the early 1980s, there were about fifty insurance companies, associated in five large groups. The insurance companies placed about two-fifths of their investments in industry and an additional fifth in commerce. Other investments included other insurance firms and real estate.

Transportation and Communications

Finland's geography and climate make transportation and communications difficult. For centuries, coastal ports, which were closed by ice each winter for at least one month in the south and for as long as five months in the north, provided the only links with Europe. Internal communications, hampered by long distances interrupted by swamps and bogs, were likewise paralyzed each spring by slowly melting snows. As in most industrialized countries, during the postwar period newer technologies supplanted traditional means of transport. Thus, in the early postwar years, truck traffic grew at the expense of rail and water transport, only to be displaced later by airplanes. Traditional mail gave way to telecommunications. External commerce still depended primarily on oceangoing ships, but air freight services provided an increasingly important supplement.

The natural environment compensated somewhat for the difficulties of climate and geography in the form of a network of lakes

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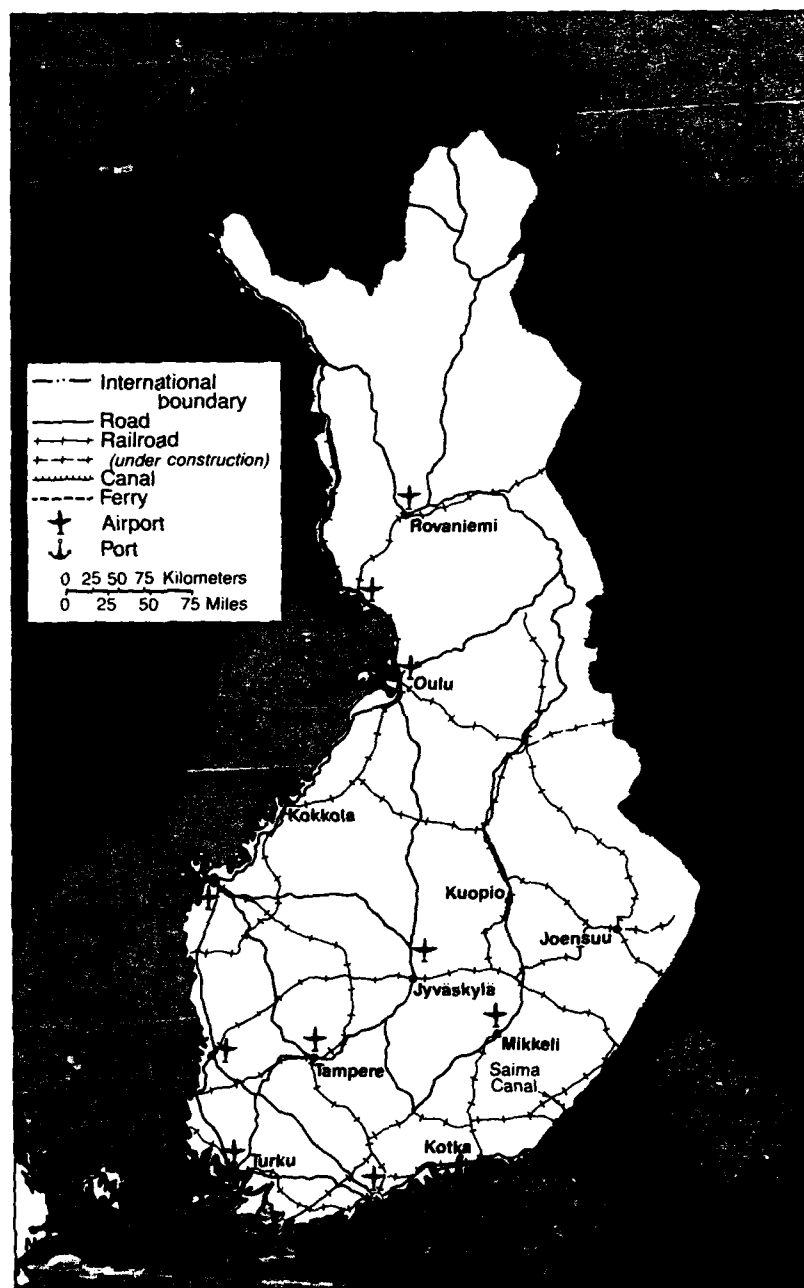


Figure 18. Transportation System, 1986

and rivers that provided an economical means of moving forest products downstream to processing centers and on to ports for export. Although trucks handled more than half of Finland's forest products in the late 1980s, the wood industries still operated some 9,200 kilometers of floatways. Internal waterways for general use covered another 6,100 kilometers, of which about 70 kilometers were canals. The most important artificial waterway, the Saimaa Canal, runs from Lake Saimaa to the Baltic port of Viipuri (see fig. 18). In 1962 the Soviet Union, which had annexed the waterway and the port after World War II, granted a long-term lease to Finland that allowed the Finns to renovate and to operate them.

Finland lagged behind the other Nordic countries in developing railroads—as late as the early 1970s, Finland continued to lay tracks. Yet by the early 1980s, the railroads had begun to decline in importance, and of the more than 9,000 kilometers of track, less than 6,000 kilometers of track were in operation (25 percent of which was electrified). The rail network served southern and central Finland better than the north, and it specialized in carrying bulk products to processing centers and to export ports. The railroads, almost all of which were state-owned, had lost business and were running operating deficits by the mid-1980s. Finnish railroads used the same gauge as Russian lines (1.524 meters), which allowed easy exchanges with Soviet railroads but blocked shipments to Finland's Western neighbors.

By 1987 Finland maintained about 76,000 kilometers of roadways, of which 43,000 kilometers were paved roads and 200 kilometers were divided highways. During the first half of the 1980s, local routes accounted for most new road construction, as the national highways were largely complete. Although the highways covered most of the country, specialists reported that Finland would need to improve its major routes to meet European standards and to allow increased trade with Western Europe during the 1990s.

By 1987 the Finns operated about 1.7 million automobiles, 9,000 buses, 52,000 freight trucks, 135,000 vans and delivery trucks, and 50,000 motorcycles. During the early 1980s, the number of vehicles had risen by almost 20 percent as more and more Finns purchased cars and motorcycles and many companies shifted from rail to road transport.

Finland's position on the northern shore of the Baltic, far from the commercial centers of Western Europe, placed a premium on shipping. Because harbors freeze up each winter, the Finns have employed a fleet of icebreakers and have equipped many ships with strengthened hulls, the construction of which has become a specialty of the metal-working industry (see *Industry*, this ch.). The national

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oceangoing fleet expanded tenfold to about 2.5 million gross registered tons (GRT) between the end of World War II and about 1980, but it shrank thereafter to about 1.6 million GRT. The Finnish merchant marine carried most of the country's trade and provided a significant source of foreign exchange; however, merchant shipping declined somewhat in the 1980s because of competition from air freight services and from foreign shipping. In the 1980s, Finland's ports handled about 50 million net registered tons each year, of which 60 percent were exports. Ships also carried a significant number of passengers, 2 million of whom traveled by way of Helsinki.

Air transport grew rapidly in the 1970s and the 1980s. For passengers, domestic traffic was growing faster than international travel, but for freight, the reverse was true. Affordable air fares—the lowest in Europe—contributed to the rapid expansion of domestic air travel. Almost 3 million passengers and more than 50,000 tons of freight and mail passed through the main airport, Helsinki-Vantaa, each year. Finland also operated about forty smaller airports.

Two state-controlled firms, Finnair and Karair, dominated Finnish airways. The state owned a majority of shares in Finnair (founded in 1923), which maintained regular international and domestic service. Karair, established in 1957, was linked to Finnair (which owned a majority interest) and specialized in charter flights.

Finland's postal and telecommunications services maintained efficient links among the country's thinly settled population. In the late 1980s, the government operated about 3,600 post offices and 581 telegraph bureaus. Nevertheless, many rural areas were so sparsely inhabited that the postal carriers made deliveries to groups of mailboxes located at crossroads. The relatively great distances among settlements made telecommunications popular; by the late 1980s, telecommunications had become more important than traditional postal services. Among European states, Finland was unusual in maintaining a combination of public and private telephone systems. Some fifty-eight companies provided services in local communities, while the Public Telecommunications Agency (PTA) enjoyed a monopoly on long-distance services. Starting in the mid-1980s, local companies began to compete in the lucrative data transmission field, a move that put them in competition with the PTA's long-distance services. Observers expected that pending legislation would effectively deregulate the telecommunications market.

Tourism

Tourism was a small industry in Finland, accounting for only 4 percent of total exports in 1987. Since 1982, however, Finns had spent more abroad than foreigners had spent in Finland, and economic policy makers sought to foster tourism to reduce this deficit. Tourists found many attractions, both natural and cultural, in Finland; moreover, facilities for vacationers were well developed. Public transport—including tourist buses and ships plying scenic interior waterways—offered easy access to the country's main tourist areas. In the mid-1980s, Finland had about 550 hotels and 230 boarding houses. During the 1980s, the number of rooms in hotels rose, as did the number of places in youth hostels. Campers found plentiful sites, including some with firewood and even shelters, along an extensive network of trails. Information offices in major cities in Finland and abroad offered information and orientation for visitors.

Despite manifold attractions and excellent facilities, the tourist industry lagged during the 1980s. Tourist earnings declined by about one-third during the early 1980s, perhaps as a result of Finland's relatively high cost of living, which made the country somewhat expensive for tourists.

Foreign Economic Relations

International economic relations—especially foreign trade—have been vital for Finland throughout the twentieth century, but never have they been more so than during the 1980s. The country was self-sufficient in staple foods, and domestic supplies covered about 70 percent of the value of the raw materials used by industry. However, imports of petroleum, minerals, and other products were crucial for both the agricultural and the industrial sectors. From the end of World War II until the late 1970s, the development of modern infrastructure and new industries required substantial capital imports. Sound foreign economic relations made it possible to exchange exports for needed imports and to service the large foreign debt. A policy of removing obstacles to the mobility of commodities, services, and factors of production facilitated economic modernization.

Business leaders and government policy makers devised innovative strategies to manage economic relations. Close economic ties to the Soviet Union grew out of the postwar settlement under which Finland agreed to pay reparations and to maintain a form of neutrality that would preclude threats to Soviet security (see *The Effects of the War*, ch. 1; *Foreign Relations*, ch. 4). Except for

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agriculture, which remained strictly protected, postwar commercial policy sought to link Finland's economy with the economies of the Nordic area and of Western Europe as closely as possible without aggravating Soviet fears that such economic ties would undermine loyalty to the East. Thus, since 1957 Finland had pursued trade liberalization and had established industrial free-trade agreements with both West European and East European countries. Spurred by these liberal policies, exports and imports had each grown to account for roughly one-quarter of GDP by the mid-1980s. By the late 1980s, Finnish industrial and service firms were going beyond trade to internationalize production by attracting foreign partners for their domestic operations and by acquiring foreign firms. Most observers believed that Finnish firms needed to follow an international tack not only to protect export shares but also to maintain their positions in domestic markets.

Foreign Trade

Trade in agricultural commodities, consumer products, and services had been relatively limited, but exchanges with the outside world were crucial for industry. Not only had the forest industries grown largely in response to foreign demand for wood and paper, but the metal-working industry had also taken off only under the goad of postwar reparations deliveries to the Soviet Union. By the mid-1980s, exports accounted for half of all industrial output and for as much as 80 percent of the output of the crucial forest industries. Similarly, imports of energy, raw materials, and investment goods remained essential for industrial production. The development of export-oriented industries had driven Finland's postwar structural transformation, indirectly affecting the rest of the economy. Industrial competitiveness would largely determine the economy's overall health into the 1990s.

During the postwar period, Finnish exports shifted from lumber and other raw materials to increasingly sophisticated products, a change which reflected the increasing diversification of the country's economic structure. The forest industries continued to dominate exports, but, while they had accounted for about 85 percent of total exports in 1950, they accounted for only 40 percent by the mid-1980s. The relative shares of different forest exports also shifted. Sawn timber and various board products accounted for more than one-third of total exports in 1950, but by 1985 they had fallen to only 8 percent. Exports of pulp and paper fell more gradually during the same period, from 43 percent of exports to about 30 percent. Pulp and cardboard, the main exports of the chemical wood-processing branch, declined in importance, while

specialized paper products incorporating higher value added, such as packing material, printed paper, and coated paper, grew in importance.

Taking the place of forest products, exports of metal products grew rapidly during the postwar period from a little over 4 percent of exports to about 28 percent. Here, too, exports of more sophisticated manufactured goods grew faster than those of basic products. By the late 1980s, basic metals accounted for about 20 percent of metal exports, ships for about 25 percent, and machinery and equipment for about 20 percent. Advanced products such as electronics and process-control equipment were gaining on conventionally engineered products. The chemical industry had exported relatively little until the 1970s, but by 1985 it had grown to account for about 12 percent of exports. By contrast, the textile, confectionery, and leather goods industries had peaked at over 10 percent in the late 1970s and early 1980s, and then they had fallen to about 6 percent of exports by the mid-1980s. Minor export sectors included processed foods, building materials, agricultural products, and furs.

Up to the 1970s, Finland tended to export wood-based products to the West, and metal and engineering products to the East. By the mid-1980s, however, Finnish machines and high-technology products were also becoming competitive in Western markets.

Finland's imports had consisted primarily of raw materials, energy, and capital goods for industrial production, and in the late 1980s these categories still accounted for roughly two-thirds of all imports. The commodity structure of imports responded both to structural changes in domestic production and to shifts in world markets. Thus, the heavy purchases of raw materials, energy, and capital goods up until the mid-1970s reflected Finland's postwar industrial development, while the subsequent period showed the influences of unstable world energy prices and Finland's shifts toward high-technology production. Imports of investment goods climbed from about 15 percent in 1950 to almost 30 percent in the late 1960s and early 1970s, only to fall again by the 1980s to about 15 percent. Foodstuffs and raw materials for the textile industry accounted for about half of all raw material imports during the 1950s, but by the 1980s inputs for the chemical and metal-processing industries took some 75 percent of raw material imports. World energy prices had strongly influenced Finnish trade because the country needed to import about 70 percent of its energy. After rising slowly until the early 1970s, the value of oil imports had jumped to almost one-third of that of total imports in the mid-1970s, then had fallen with world oil prices to about 13 percent by the late 1980s.





*Helsinki's South Harbor closed by ice: on the right, the President's
Palace; in the background, the dome of Helsinki Cathedral
Courtesy Embassy of Finland, Washington*

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Like its export markets, Finland's import sources were concentrated in Western Europe and the Soviet Union (see table 19, Appendix A). The country usually obtained raw materials, especially petroleum, from the East and purchased capital goods from the West.

Finnish service exports had exceeded service imports until the early 1980s. Up until this time, shipping and tourism earnings had generally exceeded interest payments to service the national debt. In the mid-1980s, however, the balance was reversed as the earnings of the merchant marine declined and Finns began to spend more on tourism abroad. Although Finnish businesses tried to compete in these labor-intensive sectors, the country's high wage levels made shipping and tourism difficult to export.

Like other Nordic countries, Finland's trade was concentrated in the Nordic area and in Europe. Unlike the others, however, Finland had, as its most important trading partner, the Soviet Union. During the postwar years, trade with the Soviets had expanded and contracted in response to political developments and market forces. During the immediate postwar period, the Soviet share of Finland's trade, spurred by reparations payments, rose to over 30 percent. However, the following two decades saw this share gradually decline as Finland expanded exports to Western Europe. A second cycle began after the 1973 oil crisis, when recession in Western markets cut demand for Finnish products while the increased value of Soviet oil deliveries to Finland allowed expanded exports to the East. Finnish exports to the Soviet Union rose sharply during the years after 1973, only to fall—along with world petroleum prices—by 1986.

By the late 1980s, the geographical distribution of Finland's trade was moving back to the pre-1973 pattern. In 1986, for example, although the Soviet Union continued to be Finland's single largest trade partner, trade with West European countries, which together accounted for about 61 percent of Finnish trade, was much more important than trade with the Soviet Union. Finland's main trade partners in Western Europe were Sweden, which took the biggest share of Finnish exports, and the Federal Republic of Germany (West Germany), which supplied the largest slice of Finnish imports. East European countries other than the Soviet Union accounted for only slightly over 2 percent of trade. Non-European countries were responsible for some 19 percent of trade. The United States, Finland's main non-European trade partner, accounted for over 5 percent of Finnish exports and imports in 1987.

As in many small European countries, the postwar trade policy of Finland had been to pursue free trade in industrial products

while protecting agriculture and services. During the 1980s, strict quotas still blocked imports of most agricultural commodities (except for tropical products that could not be produced domestically), but liberalized regulations allowed increased imports of services, especially financial services. Most industrial imports and exports were free of surcharges, tariffs, and quotas under multilateral and bilateral agreements between Finland and its major trading partners (see Regional Economic Integration, this ch.). Health and security concerns, however, inspired restrictions on imports of products such as radioactive materials, pharmaceuticals, arms and ammunition, live animals, meat, seeds, and plants. With a few exceptions, Finland discontinued export licensing in the early 1960s. The State Granary, however, controlled all trade in grains, while the Roundwood Export Commission reviewed all lumber exports.

Finnish Direct Investment Abroad

From the end of World War II until the 1970s, Finland imported large amounts of capital to finance infrastructure investment and industrial development; however, by 1987 Finnish capital exports exceeded capital imports by about six to one. During the earlier period, foreign firms had set up subsidiaries in Finland, but few Finnish enterprises had established branches abroad. In the 1970s, the forest industry led a shift toward capital exports by founding sales outlets in the most important foreign markets, especially in Western Europe. The metalworking and chemical industries did not begin to expand overseas until the late 1970s, but they made up for lost time during the following decade. These industries first invested in Sweden, Norway, and Denmark, important markets sharing Nordic culture. Next came subsidiaries in the United States, which by the mid-1980s became the second-largest recipient of Finnish investments after Sweden and which hosted more than 300 Finnish manufacturing and sales firms. In the late 1980s, some firms targeted markets in the rapidly expanding economies of the Pacific basin. Beginning in the late 1980s, the service sector began to follow industry abroad. Banks, insurance companies, and engineering and architectural firms established branches in major business centers worldwide. By the late 1980s, Finnish firms owned more than 1,600 foreign concerns, of which some 250 were engaged in manufacturing; more than 900 in sales and marketing; and 450 in other functions.

Businessmen had many motives for setting up overseas operations. In general, the Finns wanted to deepen ties with industrialized countries where consumers and businesses could afford high-quality Finnish goods. Maintaining access to important

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markets in an era of increasing protectionism and keeping up with new technologies had become crucial. Finnish enterprises, generally small by international standards, needed additional sources of capital and know-how to develop new technologies. Analysts believed that, despite their small size, Finnish firms could succeed abroad if they followed a comprehensive strategy, not only selling finished products but also offering their services in the management of raw materials and energy, development of new technologies, and design of attractive products.

Government policies helped achieve greater international integration of productive facilities. During the 1980s, legislation relaxed limits on foreign investment in Finnish firms, allowing foreigners to hold up to 40 percent of corporate equities; likewise, the BOF loosened restrictions on capital exports. The Technology Development Center (TEKES), under the Ministry of Trade and Industry, sponsored international cooperation in research and development. The government also arranged for Finnish participation in joint projects sponsored by the European Space Agency (ESA) and the European Community (EC—see Glossary), including the EC's Eureka technology development program. Although it was still too early to predict how Finland would perform in international joint ventures, many observers felt that such enterprises were the best way for the country to achieve industrial progress.

Balance of Payments

Finland's external balance reflected the country's status as a late-industrializing economy needing large infusions of foreign capital as recently as the 1970s. The resulting foreign debt peaked at the end of 1977 at about 20 percent of GDP. Over the following decade, the Finns reduced their debt, which stood at about 16 percent of GDP in 1987. Even at this lower level, however, debt service required payments amounting to over 2 percent of GDP, a permanent drag on the balance of payments.

Although the country ran trade deficits up until the 1970s, Finland's trade performance was generally satisfactory during the 1980s, despite developments in world markets that posed special challenges, such as the need to shift exports rapidly from Eastern to Western markets after the collapse of oil prices in the mid-1980s. The balance of trade showed a surplus after 1980, which rose to about US\$1.6 billion by 1986 as a result of strong foreign demand for Finnish goods (see table 20, Appendix A). The services account, however, showed growing deficits during the decade, which reached more than US\$2.2 billion in 1986. The deficit on services grew

out of increased Finnish tourist expenditures abroad, the decline in shipping earnings, and the continued service payments on the national debt. The transfers account likewise showed a deficit, mainly the result of Finland's growing official foreign aid to the Third World. Thus, despite the strong performance of Finland's export sector, the country had generated a deficit on the current account that reached almost US\$900 million in 1986.

Over the long term, Finland's ability to continue to finance current account deficits and to service the national debt was limited primarily by the country's ability to maintain export earnings. Some analysts pointed out that after 1984, Finland's surpluses were in fact earned in exchanges with the Soviet Union (producing a surplus on a blocked account), while hard-currency trade was in deficit. Many observers noted, however, that Finland's debt was low by OECD standards, and they suggested that the country's external imbalances could be sustained for many years.

Regional Economic Integration

Until 1917 the Grand Duchy of Finland enjoyed a privileged position as a relatively advanced part of the Russian Empire, supplying metal products and ships in exchange for agricultural goods. These ties collapsed, however, when political tensions between the Bolshevik regime and the Finnish Republic precluded commercial agreements. The interwar pattern was reversed in the years following World War II, as reparations payments and barter trade grew into a close trading relationship in which Finland exported industrial goods, especially capital goods, in exchange for raw materials and fuels—an arrangement roughly parallel to that which had existed before 1917.

Starting in the late 1950s, however, Finland broke away from its dependence on the Soviet market, successfully opening its economy to the two West European trading blocks, the European Economic Community (EEC—see Glossary) and the European Free Trade Association (EFTA—see Glossary). Expanded trade with the West did not imply renunciation of profitable exchanges with the East, however, because Finnish commercial ties with the Soviet Union and with the other members of the Council for Mutual Economic Assistance (CMEA, CEMA, or Comecon—see Glossary) deepened after 1960. By the late 1980s, Finland provided a unique example of a neutral country with a free-market economy that had developed increasing economic interdependence with both the market economies of Western Europe and the planned economies of Eastern Europe.

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Although many Western observers saw in Finnish foreign economic policy the dominance of security concerns over economic interests, close inspection revealed a mixture of motives. The guiding principles of postwar foreign policy—Finland's need to assure the Soviet Union that it did not have to fear threats from (or through) Finnish territory as well as Finland's practice of active neutrality—influenced trade policies toward the East, especially in the immediate postwar years. Such concerns blocked Finnish participation in the Marshall Plan and in the Organisation for European Economic Co-operation (OEEC), which was established to coordinate the use of Marshall Plan aid (see Foreign Relations, ch. 4). Trade with the East also served important economic interests, however, driving the rapid development of the metalworking industries during the 1950s and helping to absorb labor released from the modernizing farm sector. In the years after the 1973 oil crisis, Finnish exports to the Soviet Union also provided an essential market at a time of recession in Western markets. Commentators suggested that by the 1980s, the Finns, less concerned with security than they had been in the early postwar years, based policy decisions almost exclusively on market considerations.

Ties to West European Markets

Although trade with Western Europe developed slowly in the early postwar years, by the 1980s it was more important than trade with the East. During the early and mid-1950s, when the West European countries liberalized trade and exchange regulations under the OEEC, Finland maintained import and export controls inherited from World War II and the reparations years. Conducting almost all trade under bilateral agreements (except for occasional trilateral deals worked out with the Soviet Union and another East European country), Finland saw its trade grow only slowly. Thus, although the forest industries were competitive, the economy as a whole remained isolated. The Finns did participate to a limited extent in international economic organizations, joining the International Monetary Fund (IMF—see Glossary), the World Bank (see Glossary), and the General Agreement on Tariffs and Trade (GATT—see Glossary) in the late 1940s. The country also became a member of the Nordic Council and agreed to a Nordic labor market, but did not favor a Nordic common market because of Soviet opposition. Faced by the growing movement toward West European economic integration after 1955, Finland ran the risk of remaining on the sidelines, not only because of Soviet pressures but also as a result of domestic protectionism.

It was not until 1957 that the Finns first shifted their policy toward Western Europe in a move designed to protect access to traditional export markets, especially in Britain, and to shift economic activity to branches in which the country had a comparative advantage at a time when extensive economic growth was reaching its limits. The new policy package combined an austerity program, a sharp currency devaluation, and multilateral tariff reductions for trade in industrial goods arranged through the Helsinki Club, which was a model for further trade agreements. In effect, Soviet opposition had blocked Finnish membership in the OEEC, leading the Finns to set up the Helsinki Club, which the OEEC countries, agreeing to apply their liberalized import lists to Finnish goods, then joined. In 1958 Finnish authorities further liberalized trading conditions by making the Finnish mark convertible in European markets.

Since the late 1950s, Finland has consistently pursued freer trade in industrial products with the members of EFTA and the EEC, while protecting domestic agriculture to maintain food supplies and while controlling oil imports to safeguard trade with the Soviet Union. Under the FINEFTA agreement, signed in March 1961, Britain and other EFTA states extended associate membership and free-trade arrangements to Finland. In 1969 Finland joined the Organisation for Economic Co-operation and Development (OECD—see Glossary), the successor to the OEEC. Although the OECD played a minor role in commodity trade, its recommendations regarding cooperation among industrialized free-market economies touched on issues such as freer trade in services and liberalized capital transfers. When two important trading partners, Britain and Denmark, switched from EFTA to the EEC, Finland (like the other EFTA states) negotiated with the EEC an industrial free-trade agreement that came into effect in 1974. In 1986 Finland became a regular member of EFTA, the Soviet Union finally having recognized that the organization posed no threat to its security or its trade interests. Under these free-trade agreements, virtually all Finnish industrial goods entered West European markets duty-free (but they sometimes faced troublesome nontariff barriers). These arrangements led to rapid increases in trade with Western Europe, stimulating specialization and improving economic efficiency in Finland.

Finnish business intensified its interest in Western Europe during the mid-1980s and the late 1980s, as falling oil prices led to a curtailment in trade with the Soviet Union. In 1986 and 1987, the Finns managed to shift trade smoothly from Eastern to Western markets, a development that soothed trade worries. Despite this

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success, in early 1987 prominent Finns voiced fears that the EC's plan to unify its markets by 1992, a plan approved in June 1985, might harm Finnish trade interests. According to this line of thought, the elimination of the remaining hindrances to trade in commodities, the establishment of free markets in services and capital, and the further harmonization of European macroeconomic policies would favor EC products, reducing Finnish access to EC markets. Commentary became especially heated after reports that other EFTA states, including Norway and Austria, were considering joining the EC, as Portugal had done in 1986. Moreover, the tendency for EC countries to expand cooperation from economic matters to security questions made Finnish membership in the EC politically impossible.

Informed analysts noted that, as it had in the years after 1957, Finland could maintain access to European markets without undermining its independent foreign policy. Although deepened integration among the EC countries would tend to reduce EC-EFTA trade, Finland and the other EFTA countries were not defenseless. As a group, the EFTA countries formed the EC's largest trading partner and could exert considerable pressure on EC harmonization decisions. Indeed, the EC had demonstrated some willingness to cooperate with the EFTA countries in April 1984, when representatives of the two trading groups issued the Luxembourg Declaration, which called for reduced technical barriers to trade, for common norms in information technology and telecommunications, and for greater cooperation in multilateral research and development programs. Even if EFTA efforts lagged, Finland could maintain trade ties with the EC by aligning national technical norms, commercial practices, and economic policies with those chosen by the EC. Other arrangements were also possible. For example, in 1986 Finland joined the ESA (which included other non-EC countries), participating in the group's earth observation satellite program as well as in basic research efforts. In effect, expanded technical cooperation offered the prospect that, while integration with the EC countries would extend far beyond commercial agreements during the 1990s, Finland could participate without sacrificing political neutrality.

Finnish-Soviet Cooperation

Originally established in the chaos of the postwar years, Finnish-Soviet economic ties developed apace during the entire postwar period as the two countries experimented with new forms of interaction between seemingly incompatible economic systems. During the Cold War, the two countries found this trade especially

important. The Soviet Union was Finland's largest trade partner, while Finland was the Soviet Union's largest Western client until the 1970s; in 1987 Finland still placed third in Soviet trade with the West. Although the relative importance of Finnish-Soviet trade had declined in the 1980s, the two countries still needed each other's business, and they sought to compensate for the setbacks in trade by expanding other forms of cooperation.

Finnish-Soviet trade developed out of interim agreements negotiated in the immediate postwar years, especially the 1947 Treaty of Commerce, in which the Finns and the Soviets agreed to expand bilateral trade and to extend to each other most favored nation status. During the late 1940s, annual agreements set trade targets, but in 1950, with the end of reparations deliveries in sight, the two partners agreed on the first of the five-year trade plans that continued to regulate trade in the late 1980s. These plans, which contained commodity quotas for both imports and exports, allowed both sides to anticipate deliveries—a plus for Finland's shipbuilding and other heavy industries. Annual trade protocols, negotiated in accordance with the five-year plans, provided a detailed list of expected exchanges. Although in the Soviet Union the government traditionally monopolized foreign deal making, in Finland private firms were free to negotiate with minimal government interference. The parties to individual transactions set the terms of exchange—including delivery dates and prices—which generally reflected world market conditions. A licensing system, covering both imports and exports, enforced the planned trade balance.

The barter arrangements of the early postwar years soon gave way to a ruble clearing account jointly administered by the BOF and the Soviet Foreign Trade Bank. Under this scheme, individual transactions did not need to balance, provided that total trade balanced in each five-year period and that payment imbalances did not exceed a ceiling of about 5 percent of the annual value of trade. Other payment arrangements were developed when needed. Between 1956 and 1965, for example, the Soviets made hard-currency payments to cover the costs of imported materials in Finnish shipments to the Soviet Union. In addition, barter still played a role in border trade, which was regulated by a special section of the annual trade protocol.

During the 1960s and 1970s, the two countries further institutionalized their economic relationship, often as a result of negotiations initiated from the Finnish side. In 1960 the Finns, invoking the most favored nation clause of the 1947 Treaty of Commerce, negotiated a free-trade agreement to compensate the Soviet Union for the FINEFTA agreement. In 1967 the two states established

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the Finnish-Soviet Intergovernmental Commission for Economic Cooperation, which set the five-year and the annual trade projections and studied other forms of cooperation. In 1973, after signing a free-trade agreement with the EEC, Finland became the first Western nation to reach an agreement with Comecon; Finland complemented this agreement with bilateral free-trade treaties with most East European Comecon members. Another important step toward improved ties came in 1977, when Finland and the Soviet Union decided on a fifteen-year Long-term Economic Plan meant to smooth out trade fluctuations between the five-year plans.

Despite these elaborate institutional arrangements, prospects for expanding Finnish-Soviet trade dimmed after 1986, when falling oil prices sharply reduced the Soviet Union's ability to finance imports from Finland. Soviet consumer goods sold poorly on the Finnish market, and the Soviets reportedly preferred selling their few competitive industrial products in hard-currency markets, making it hard to find substitutes for oil imports. The Finns, long unchallenged in Eastern markets, found increased competition from other Western exporters. The reform movement initiated by Soviet party leader Mikhail S. Gorbachev had both advantages and disadvantages for the Finns. In the long run, increased flexibility and new emphasis on consumer goods were likely to improve prospects for trade. Finns experienced immediate difficulties, however, when Moscow decided to decentralize foreign-trade decision making, reducing the importance of long-standing Finnish contacts in the Soviet Ministry of Foreign Trade. As a result of these developments, analysts predicted that Finnish-Soviet trade might decline by as much as 10 percent per year in 1988 and 1989, unless world oil prices rose again.

In the late 1980s, concerns about falling exports to the East filled the business press with reports of the difficulties faced by Finnish agriculture, textiles, leather goods, and shipbuilding, sectors particularly dependent on the Soviet market. Many analysts believed, however, that the Finns would find ways to preserve their exchanges with Soviet enterprises. Aware of their common interests, policy makers in the two countries addressed immediate problems and invented new forms of East-West cooperation. At the end of 1986, the Soviets agreed to convert the Finnish surplus on the clearing account to a loan paying interest at world rates, with guarantees on the ruble's exchange rate. In early 1987, Finland's state petroleum company, Neste, arranged to import increased amounts of Soviet oil, which it reexported, sometimes after refining operations.

In the spring of 1987, a Finnish firm became the first Western enterprise to establish a joint venture with Soviet partners by

investing in an Estonian paint factory. Later, Finnair agreed to form a joint venture to renovate and operate a luxury hotel in Moscow. The two sides were also exploring compensation projects, in which Finnish enterprises would help to build industrial facilities in the Soviet Union and would accept a share of the resulting output as full or partial payment. In March 1988, Moscow announced plans to list several Soviet companies on the Helsinki Stock Exchange. Thus, although Finnish-Soviet trade might well decline in the late 1980s and early 1990s, it appeared likely that the Finns would find ways to maintain and to improve the long-standing economic relationships with their neighbors in the Soviet Union and Eastern Europe.

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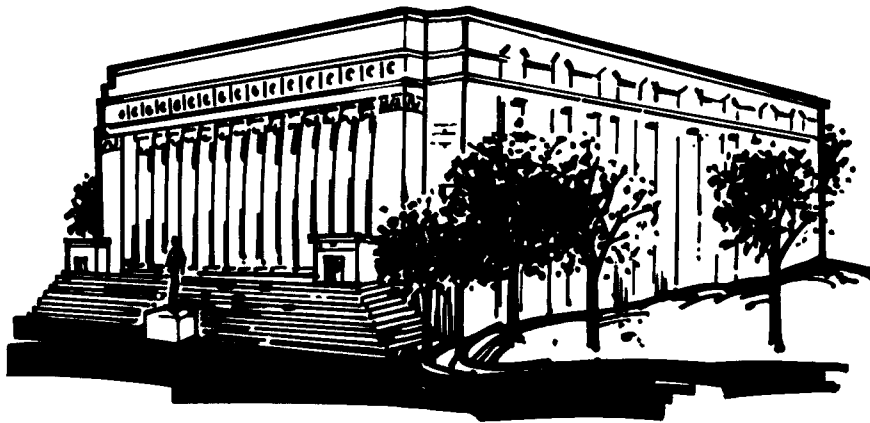
The OECD's annual economic survey, *Finland*, most recently published in April 1988, is an authoritative and readily available summary of the Finnish economy that includes up-to-date statistical tables. The *Financial Times* (published in London) provides regular coverage and occasional surveys of Finnish economic and business developments. The Economist Intelligence Unit's quarterly *Country Report: Finland* and annual *Country Profile: Finland* outline economic and political trends and include up-to-date statistical material. The *Yearbook of Nordic Statistics*, published by the Nordic Council of Ministers, provides official economic statistics in a format that allows comparison with other Nordic states; the *Statistical Yearbook of Finland*, issued by the Central Statistical Office of Finland, supplies more detailed statistics, although it is less widely distributed.

No comprehensive survey of the Finnish economy exists in English, but a number of publications offer partial views. *Finland and Its Geography*, edited by Raye R. Platt, although now rather dated, offers a geographical introduction to economic affairs. Fred Singleton's *The Economy of Finland in the Twentieth Century* sketches the historical background. Dieter Senghass's *The European Experience* and essays by Risto Alapuro, Matti Aaltonen, Stein Kuhnle, and Kimmo Kiljunen analyze the country's economic development in comparative frameworks. David Arter's *Politics and Policy-making in Finland* and Lars Mjøset's "Nordic Economic Policies in the 1970s and 1980s" explain the institutional and international influences on economic policy making. *The Bank of Finland Bulletin* offers in-depth analytical articles on topics of current interest, and the varied publications of Finland's government and of Finnish producer groups, generally available from the Embassy of Finland

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in Washington, give information about particular sectors. (For further information and complete citations, see Bibliography.)

Chapter 4. Government and Politics



Parliament building, Helsinki

SINCE THE ESTABLISHMENT of its present system of government in 1919, Finland has been one of the more fortunate members of the Western community of democratic nations. Compared with other European states, the country was only moderately affected by the political turmoil of the interwar period; it passed through World War II relatively unscathed; and, although right on the line that divided Europe into two hostile blocs after the second half of the 1940s, it survived as an independent nation with its democratic institutions intact.

This enviable record was achieved against formidable odds. Although the constitutional basis of their government grew out of long-established institutions, Finns had never been fully free to govern themselves until late 1917 when they achieved national independence. Swedish and Russian rulers had always ultimately determined their affairs. Finnish society was also marked by deep fissures that became deeper after the brief civil war (1918), which left scars that needed several generations to heal. In addition to class and political divisions, the country also had to contend with regional and linguistic differences. These problems were eventually surmounted, and by the 1980s the watchword in Finnish politics was consensus.

A skillfully constructed system of government allowed Finns to manage their affairs with the participation of all social groups (although there were some serious lapses in the interwar period). Checks and balances, built into a system of modified separation of powers, enabled the government to function democratically and protected the basic rights of all citizens. The 200-member parliament, the Eduskunta, elected by popular vote, was sovereign by virtue of its representing the Finnish people. An elected president wielded supreme executive power and determined foreign policy. Although not responsible politically to the Eduskunta, the president could carry out many of his functions only through a cabinet government, the Council of State, which was dependent upon the support of the Eduskunta. An independent judiciary, assisted by two legal officials with broad independent powers—the chancellor of justice and the parliamentary ombudsman—ensured that government institutions adhered to the law.

Working within this system during the 1980s were a variety of political parties, an average of about a dozen, ranging from sect-like groups to large, well-established parties, the counterparts of

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which were to be found all over Western Europe. The socialist wing consisted of a deeply split communist movement and a moderate Finnish Social Democratic Party that by the late 1980s was a pre-eminent governing party. The center was occupied by an agrarian party, the Center Party, which had been in government almost continuously until 1987; the Swedish People's Party; and a formerly right-wing protest party, the Finnish Rural Party. The right was dominated by the National Coalition Party, which was fairly moderate in its conservatism. In the 1970s and the 1980s, the mainstream parties, and even a good part of the Communist Party of Finland, had moved toward the center, and the political spectrum as a whole was slightly more to the right than it had been in previous decades.

A constitutional system that was conservative in nature had allowed these parties to work together, yet within constraints that permitted no single group to usurp the rights of another. Nevertheless, the variety of parties had made it very difficult to put together coalitions that could attain the strict qualified majorities needed to effect fundamental changes. Only since the second half of the 1960s had it been possible, though at times difficult, to find a broad multiparty consensus.

Powerful interest groups were also involved in Finnish politics, most noticeably in the negotiation and the realization of biannual income policy settlements that, since the late 1960s, had affected most Finnish wage-earners. Interest groups initially negotiated the terms of a new wage agreement; then it was, in effect, ratified by coalitions of parties in government; and finally the Eduskunta passed the social and economic legislation that underlay it. Some observers complained that government's role had become overly passive in this process and that the preeminence of consensus actually meant that Finnish politics offered the populace no real alternatives. Yet most Finns, remembering earlier years of industrial strife and poverty, preferred the new means of managing public affairs.

There was also broad agreement about Finnish foreign policy. The country was threatened with extinction as an independent nation after World War II, but presidents Juho Paasikivi and Urho Kekkonen, both masters of *realpolitik*, led their countrymen to a new relationship with the Soviet Union. The core of this relationship was Finland's guarantee to the Soviet Union that its northwestern border region was militarily secure. Controversial as the so-called Paasikivi-Kekkonen Line was initially, by the 1980s the vast majority of Finns approved of the way Finland dealt with its

large neighbor and were well aware, too, of the trade advantages the special relationship had brought to their country.

Working in tandem with good Finnish-Soviet relations was the policy of active and peaceful neutrality, the backbone of Finnish foreign policy. Advocating, as a neutral state, the settlement of disputes through peaceful, legal means was a role Finns adopted willingly. A high point of this policy was the part the country played in planning and in hosting the 1975 Conference on Security and Cooperation in Europe. Another facet of active neutrality was a committed membership in the United Nations, most notably in the organization's peacekeeping forces.

Constitutional Framework

Finland's government structure has remained largely unchanged since it was established in 1919 with the passage of the Constitution Act (see *The Establishment of Finnish Democracy*, ch. 1). Building on a combination of old institutions from both the Swedish and the Russian periods, this law, together with three others also of constitutional status, has given Finland a system that has been remarkably successful in allowing a once deeply divided nation to govern itself.

Constitutional Development

Finland, although independent of foreign rule only since 1917, has traditions of self-government extending back into the Middle Ages. Because their country belonged to the dual kingdom of Sweden-Finland for more than 600 years, Finns had long enjoyed the common Nordic right to manage local affairs by themselves. Beginning in 1362, Finns took part in the election of the Swedish king, and they thus became involved in the government of the realm as a whole. This role was increased after 1435, when they began sending representatives to the kingdom's governing body, the Diet of the Four Estates (Riksdag).

The Swedish Diet Act of 1617 and the Form of Government Act of 1634 formalized the Finnish tradition of estates, whereby leading members of the country, representatives not only of regions but of social classes as well, met to decide matters of common concern. Although the acts restricted local government somewhat, they brought Finns more than ever into the management of the kingdom's affairs. At regular intervals a Finn presided over the nobility, the most important of the four estates of the Diet; consisting also of the estates of the clergy, burghers, and peasantry, the Diet continued to be Finland's representative governing body until early in the twentieth century.

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Royal power was strengthened by the constitution of 1772, forced on the Diet by King Gustav III. This constitution, in effect in Finland until 1919, long after it had been abrogated in Sweden, gave the king final say about the decisions of the Diet. The king's power was further augmented by the Act of Union and Security of 1789, which gave him exclusive initiative in legislative matters.

Ceded by Sweden to Russia in 1809, Finland was not incorporated fully into the empire by Tsar Alexander I, but retained its own legal system (see *The Russian Grand Duchy of Finland, 1809-1917*, ch. 1). A small body, the Senate, was established to administer the country. Its two sections, finance and justice, later became the basis of independent Finland's cabinet and supreme courts. The Senate's head, the governor general, the highest official in Finland, was a Russian appointed by the tsar. An indication of the country's relative autonomy, however, was that all other officials of the Grand Duchy of Finland were native Finns.

The tsar, who had the right to determine when the Diet met, dissolved the assembly in 1809, and it did not meet again until 1863 when recalled by Alexander II, the Tsar Liberator. Thereafter the Diet met regularly, and in the late 1860s it ushered in the "Golden Age" of Finnish legislation, a period of several decades during which the country's laws were modernized and were brought into harmony with the legal codes of Western Europe. It was during this period, too, that political parties appeared, emerging first from the campaign to give the Finnish language its rightful place in the country, then from the growing resistance to Russian rule, and finally from the question of how to contend with the coming of industrialization and labor strife.

The aggressive Russification campaign that began in the 1890s sought to end the relative autonomy Finland had enjoyed under tsarist rule (see *The Era of Russification*, ch. 1). A military defeat in East Asia weakened the Russian empire and gave Finns a chance for greater freedom. The Diet unanimously dissolved itself in 1906, and a parliament, the Eduskunta, a unicameral body elected by universal suffrage, was created. Finland became in one step a modern representative democracy and the first European nation to grant women the right to vote.

The tsarist regime allowed the assembly few of its rights, however, and only after the collapse of the Russian Empire and the Bolshevik Revolution of 1917 were the Finns able to secure their independence. A civil war and bitter political debates about whether the country should be a monarchy or a republic preceded the passage of the Constitution Act of 1919, which established the present system of government in Finland.

The Constitution

Finland's Constitution is not a single law, but rather a collection of four laws that have constitutional status. The most important is the Constitution Act of 1919, which lays out the functions and relationships of the most important government entities, lists the basic rights of Finnish citizens and the legal institutions charged with their protection, and makes provisions for managing state finances and for organizing the defense forces and public offices. The second of the basic laws is the Parliament Act of 1928, a slightly modernized version of the Parliament Act of 1906, which established the country's democratically elected parliament, the Eduskunta, and spelled out its procedures. Two other basic laws date from 1922 and involve supervision of the cabinet or government: the Responsibility of Ministers Act, which details the legal responsibilities of the members of the cabinet and the chancellor of justice; and the High Court of Impeachment Act, which explains how they are to be made accountable for infractions of the law.

Two acts dealing with the self-determination of the Åland Islands also have constitutional status (see fig. 1). The Autonomy Act of 1951 protects the Swedish character of the archipelago, and a law of 1975 restricts the purchase and ownership of land on the islands.

The Constitution Act of 1919, building on existing Finnish institutions, established a parliamentary system of government based on a division of powers among the legislative, the executive, and the judicial branches of government. But the separation of powers is not complete, and the branches' powers and functions are overlapping and interlocking. Sovereign power rests with the Finnish people, who govern themselves through the Eduskunta. Sharing legislative power with the parliament, however, is a president, who also wields supreme executive power. He exercises this power through the Council of State, a cabinet of ministers. In accordance with parliamentary norms, this cabinet must resign if it loses the support of the Eduskunta. The judiciary is independent, yet it is bound by the laws passed by the Eduskunta, which, in turn, follows constitutional norms in drafting them.

Like other Nordic countries, Finland has no constitutional court. The Eduskunta, acting through its Constitutional Committee, serves as the ultimate arbiter of the constitutionality of a law or legislative proposal. Composed of seventeen members, chosen to represent the party composition of the full chamber, the committee seeks expert opinion and lets itself be bound by legal precedents.

The Constitution may be amended if proposals to this end meet qualified or set majority requirements. The requirements are such

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that as few as one-sixth of the Eduskunta's members can prevent the passage of amendments. The large number of Finnish political parties makes attaining qualified majorities nearly impossible, unless an amendment has widespread support. This protects the rights of minorities.

The individual rights of Finnish citizens are delineated in Section II of the Constitution Act, Article 5 through Article 16, and, with a single addition, they have remained unchanged since their adoption in 1919. The additional amendment, enacted in 1972, promises all Finns the opportunity for gainful employment, to be provided by the state if necessary. The list of rights is, of necessity, rather general. How they are exercised, protected, and limited is set out in ordinary laws. The state reserves for itself the right to limit them "in time of war or rebellion."

First and foremost, all citizens are equal under the law, with a constitutional guarantee of their rights to life, honor, personal freedom, and property. The reference to honor provides for protection against false and slanderous charges and reflects the importance of reputation in Finnish tradition. The protection of property and the requirement for full compensation if it is expropriated for public needs indicate the conservative nature of the Finnish Constitution. The right of freedom of movement encompasses residence, protection from deportation, and guaranteed readmittance into Finland. Only in special cases, such as convictions for criminal activity, are these freedoms abridged. Complete freedom of religious worship and association is guaranteed, as is freedom from religion.

Finnish citizens are guaranteed free speech and the right of assembly, as well as the right to publish uncensored texts or pictures. The inviolability of the home is promised, and a domicile can be searched only according to conditions set by law. Privacy of communications by mail, telegraph, or telephone is likewise provided for. A Finn may be tried only in a court having prescribed jurisdiction over him. The safeguarding of the cultural affinities of the country's citizens is regarded as a fundamental right, and, as a consequence, the two languages spoken by native-born Finns, Finnish and Swedish, both enjoy the status of official language. The act stipulates that a Finn may use either of these two languages in a court of law and may obtain in that language all pertinent legal or official documents. Finally, in accordance with its nature as a republic, Finland grants no noble or hereditary titles.

Governmental Institutions

The four acts that make up the Finnish Constitution provide for

a central government divided into three overlapping branches—legislative, executive, and judicial (see fig. 19). Their mutual control by an elaborate system of checks and balances has permitted Finnish democracy to flourish. Decisions of the central government are implemented by ministries, semiautonomous national boards, and governments at the provincial and the local levels. Finnish local government is comparatively extensive, has broader powers than that of many other countries, and, in accordance with the Constitution, is self-governing. An efficient, but somewhat politicized, civil service staffs these governmental structures. Underpinning the system is an electoral system that permits the Finnish people to determine their own affairs in a democratic way. One region of the country, the Åland Islands, is to a degree autonomous, a reflection both of its unique linguistic heritage and the respect for individual freedom embedded in the Finnish system of government.

Legislature

The Eduskunta is the country's highest governing body by virtue of its representing the people, who possess sovereign power. Its main power is legislative, a power it shares with the country's president. It also has extensive financial powers, and its approval is required for the government's annual budget and for any loans the government wants to contract. Although the president is dominant in the area of foreign policy, treaties must be ratified by the Eduskunta, and only with its consent can the country go to war or make peace. This chamber also has supervisory powers, and it is charged with seeing that the country is governed in accordance with the laws it has passed. To enforce its will, the Eduskunta has the power to hold the government to account, and to call for the impeachment of the president.

The Eduskunta is closely tied to the president and to the Council of State. Neither the president nor the cabinet is able to carry out many executive functions without the support of the Eduskunta, and the cabinet must resign if it is shown that it has lost the chamber's confidence. Strong links between the Eduskunta and the Council of State result, too, from the circumstance that most cabinet ministers are members of parliament. On the other hand, the Eduskunta is subordinate to the president in that he may dissolve it and call for new elections. Despite its legislative powers, it actually initiates little legislation, limiting itself mainly to examining the government bills submitted to it by the president and the council. In addition, all legislation passed by the Eduskunta must bear the president's signature and that of a responsible minister in order to go into effect. The Eduskunta need not approve the legislative

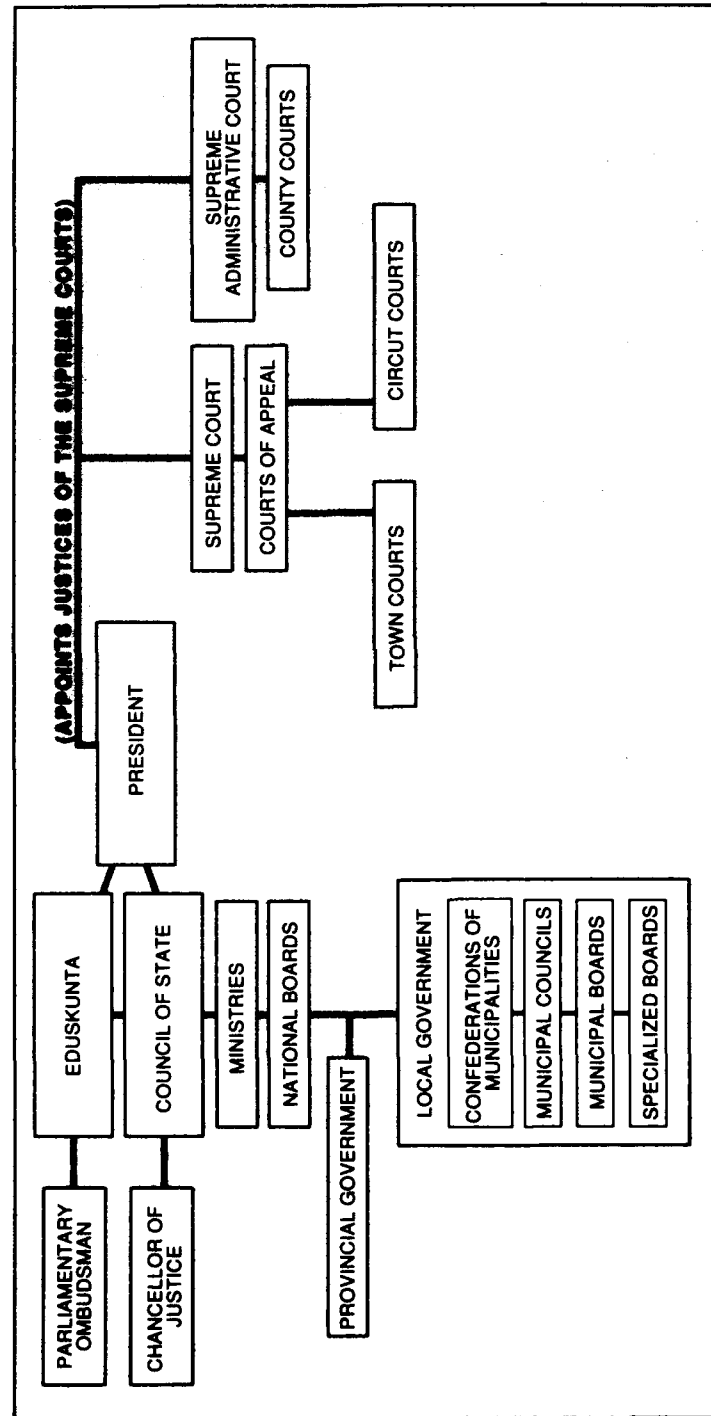


Figure 19. System of Government, 1988

proposals submitted to it, however, and can alter or reject them.

As stipulated by the Parliament Act of 1928, the Eduskunta's 200 members are elected by universal suffrage for four-year terms. All citizens twenty years of age and older, who are able to vote, and who are not professional military personnel or holders of certain high offices, have the right to serve in the Eduskunta. A wide variety of the country's population has served in this body, and its membership has changed often. Sometimes as many as one-third of the representatives have been first-term members, as occurred in the 1987 national elections.

Finnish election laws emphasize individual candidates, which sometimes has meant the election of celebrities to the body. Most members, however, have begun their political careers at the local level. In the late 1980s, about one-third of the representatives were career politicians. The professions were overly represented at the expense of blue-collar workers; about 40 percent of the members, compared with only 3 percent of the population as a whole, had university degrees. By the 1980s, farmers and businessmen were no longer so prevalent as they once had been, while there were more journalists and managers. The number of female representatives had also increased, and by the 1980s they made up one-third of the chamber. In the 1987 election, women won 63 of the 200 seats.

Article 11 of the 1928 Parliament Act states that members are to vote as their consciences dictate. A delegate is not legally bound to vote as he or she promised, in a campaign for example. In the late 1980s, however, party discipline was strict, and delegates usually voted as directed by their party.

The four-year term, or legislative period, of the Eduskunta is divided into annual sessions beginning in early February, with vacation breaks in the summer and at Christmas. The first business of a yearly session is the election of a speaker, two deputy speakers, and committee chairmen. Those elected make up the speaker's council, which is representative of the party composition of the Eduskunta and arranges its work schedule. The speaker, by tradition of a different party from the prime minister, presides over the chamber, but the speaker neither debates nor votes.

Also chosen in the first days of a new session are those, from either within or outside the parliament, who supervise the pension institute and television and radio broadcasting; and five auditors who monitor compliance with the government's budget and oversee the Bank of Finland (BOF). Among the most important posts to be filled by the Eduskunta for its four-year term are those of

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the parliamentary ombudsman and the six members of the Eduskunta who make up half of the High Court of Impeachment.

Parliament approves legislation in plenary sittings, but it is in the committees that government bills are closely examined. In the late 1980s, there were thirteen committees in all: five permanent committees—constitutional, legal affairs, foreign affairs, finance, and bank—and eight regular ad hoc committees—economy, law and economy, cultural affairs, agriculture and forestry, social affairs, transportation, defense, and second legal affairs. Committee membership reflects the political composition of the Eduskunta. Members usually serve for the whole legislative period, and they commonly have seats on several committees, often of their own choosing. Members who have served on a given committee for a number of terms often develop considerable expertise in its area of responsibility.

Legislative proposals also pass through the forty-five-member Grand Committee. Only the budget, which is not a legislative proposal in Finland, escapes its review. The committee, adopted as a compromise in 1906 between those who advocated a bicameral legislature and those who preferred the unicameral body finally established, was conceived as a safeguard against the measures of a perhaps too radical parliament. It therefore examines proposals for their legal soundness and propriety. Yet, according to the British scholar David Arter, the Grand Committee has only occasionally altered the proposals sent to it, and, as a consequence, it has lost prestige within the Eduskunta. Its members are generally newly elected representatives.

The Eduskunta has an elaborate procedure for handling government bills sent to it by the president, after discussion and approval in the Council of State. This procedure was adopted with the idea of preventing the enactment of radical measures, and it is an indication of the Eduskunta's essentially conservative nature. Proposals are usually first discussed in a plenary session, then directed by the speaker to an appropriate committee, where they are carefully scrutinized in closed hearings. After committee review and report, proposals are returned to the plenary session for the first reading, where they are discussed but no vote is taken. The next step is the Grand Committee review. Working from the Grand Committee report, the second reading in plenary session is a detailed examination of the proposal. If the Grand Committee report is not accepted in its entirety, the proposal must be returned to the Grand Committee for further discussion. Once the proposal is back again at the plenary session, for the so-called continued second reading, the Eduskunta votes on the changes recommended by the Grand

Committee. There is no discussion in the final and third reading; the proposal is simply approved or rejected. Votes may be taken at least three days after the second reading or the continued second reading. Once approved by the Eduskunta, bills require the signature of the president within three months to go into effect. This requirement gives the president the power of suspensive veto. This veto, rarely used, can be overridden if the Eduskunta approves the bill with a simple majority following new national elections.

Only the government's budget proposal is exempted from the above parliamentary procedure, because the budget is not considered a legislative proposal in Finland. Instead, the budget proposal is handled in a single reading, after a close review by the largest and busiest parliamentary committee, the twenty-one-member Finance Committee. Government bills connected with the budget and involving taxation, however, must pass through the three plenary session readings and the Grand Committee review. This reinforces the Eduskunta's budgetary control.

The Eduskunta's elaborate legislative procedure can be traversed in a few days if there is broad agreement about the content of a bill. Qualified majority requirements for much legislation, most commonly that touching on financial matters and property rights, enable a small number of representatives to stop ratification in a plenary session and to oblige the government to ascertain a bill's probable parliamentary support before submitting it to the Eduskunta. Qualified majority requirements for legislation involving taxation for a period of more than one year require the approval of two-thirds of the body. Sixty-seven members can hold such legislation over until after a new election and can thus effectively brake government programs. Because there is no time limit on a member's right to speak, filibusters can also slow the progress of a bill through the Eduskunta, although this tactic has seldom been employed. Government care in the crafting of bills is reflected in the unimpeded passage through parliament of most of them.

Legislation altering the Constitution is subjected to more rigorous requirements. Constitutional changes may be approved by a simple majority, but before they go into effect, they must be approved again by a two-thirds majority in a newly elected Eduskunta. If the changes are to go into effect within the lifetime of a single Eduskunta, the legislation implementing them must be declared "urgent" by five-sixths of the body and, in a subsequent vote, approved by a two-thirds majority. This requirement means that a vote of one-sixth against a proposed economic measure regarded as being of a constitutional nature, such as some incomes policy legislation, can prevent its enactment during a single

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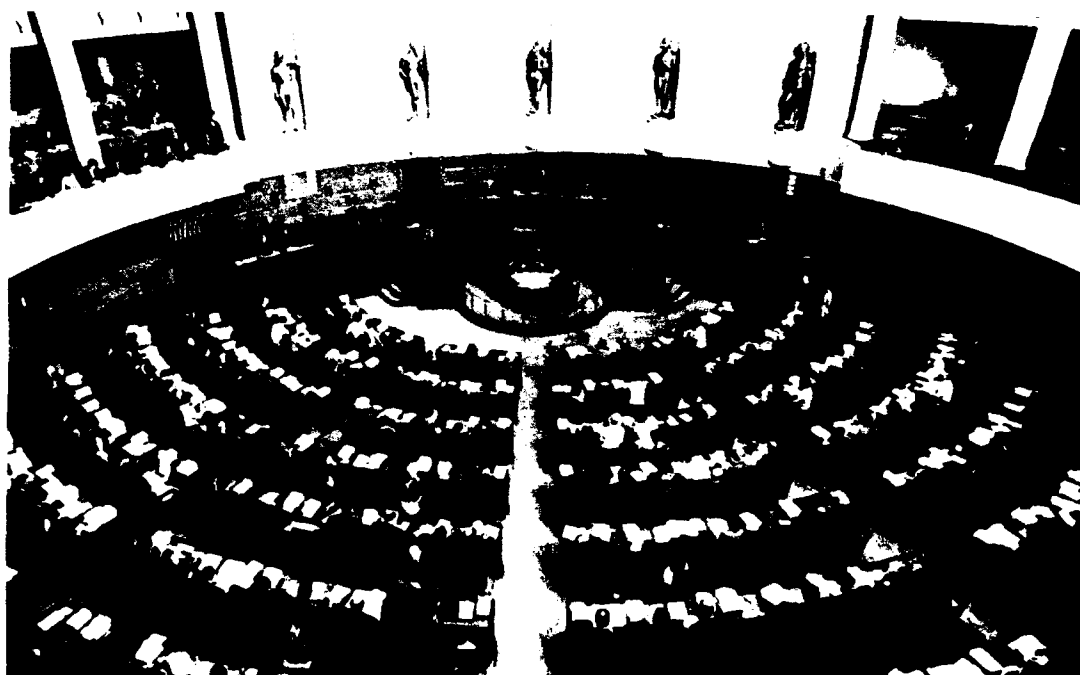
parliamentary term. These same majorities are required for an unusual feature of Finnish parliamentary procedure that permits the passage of laws that are temporary suspensions of, or exceptions to, the Constitution, but that leave it intact. Since 1919 about 800 of these exceptional laws have been passed, most involving only trivial deviations from the Constitution.

Members of the Eduskunta may initiate legislation by submitting their own private members' bills and financial motions relating to the budget. Several thousand of these are submitted each year, but 95 percent are not even considered, and only a handful are accepted. Members also may submit proposals connected to government bills, or may petition for certain actions to be taken. The main point of these procedures is often a delegate's desire to win the approval of his constituents by bringing up an issue in the Eduskunta.

The Eduskunta has other means of exerting pressure on the government, in addition to refusing to approve its legislative proposals. Its members may address questions to ministers either orally or in writing, and in either case a quick response is required. Potentially much more serious is an interpellation, possible if twenty members desire it, in which case the government can fall if it fails to survive a vote of confidence. Few governments fall in this way, however, as they are allowed to remain in power as long as a lack of support is not shown. Interpellations have been used principally as a means of drawing attention to a particular question, and press coverage usually is intense.

An important instrument of Finnish parliamentary control is the right and duty of the Constitutional Committee to examine government bills with regard to their constitutionality. Finland has no constitutional court, and suggestions for its establishment have foundered because the Eduskunta has refused to cede this important review power to a court that would be outside parliamentary control. Although the committee's seventeen members come from parties with seats in the Eduskunta, the committee has strived for impartiality, has sought the opinions of legal specialists, and has let itself be bound by precedents. As evidence that it takes its responsibilities seriously, committee members representing both the far left and the far right have agreed with 80 percent of its judgements over a long period of time.

The Eduskunta also exercises control of the executive through the Responsibility of Ministers Act, which can be used against the government or an individual minister if a parliamentary committee, the parliamentary ombudsman, or five members of the Eduskunta so decide. The Eduskunta's ability to control the



*The Eduskunta, Finland's parliament, in session
Courtesy Embassy of Finland, Washington*

government is also apparent in its duty to comment on the annual report of the government's actions submitted in May, and the Foreign Affairs Committee's review of the frequent Ministry of Foreign Affairs reports detailing the government's conduct in the field of foreign relations.

President

Supreme executive power is held by the president, assisted by the Council of State. The president also has legislative power exercised in conjunction with the Eduskunta. As of 1988, the president is to be elected for a six-year term either directly by the Finnish people or, if an absolute majority is not reached, by a college of 301 electors selected in the same election. Previously the president was elected indirectly by the college of electors.

As of 1988, there was no limit on the number of terms a president might serve, but in the late 1980s legislation was being discussed that would permit no one to serve more than two consecutive terms. The president's only formal qualification is that he or she be a native-born citizen. Once elected, the president must renounce all other offices, and, with the aim of being a nonpartisan head of state, must cease being a member of any political party. His election, separate from that for the Eduskunta, gives him a distinct mandate that theoretically elevates him above routine

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politics. Another advantage of his long term in office is that it brings to Finnish political life a continuity that it has often lacked.

The president is not politically responsible to anyone. He can be removed from office only if the Eduskunta decides by a three-quarters majority that he is guilty of treason. He would then be tried by the Supreme Court (see Legal System, this ch.). The risks that such freedom from political responsibility entails are lessened because most of his executive decisions can be carried out only by means of the Council of State, and his legislative powers are realized through the Eduskunta.

The president's power to dissolve parliament and to call for new elections gives him, in theory, considerable influence over parliament, but ultimately he must work with an Eduskunta elected by the people. If he cannot convince a majority of the voters or the members of the Eduskunta to support his policies, he cannot act. An indication of the importance of this central element in Finnish parliamentary practice is that the Eduskunta has been dissolved only once—in 1924—against its will. The other half dozen dissolutions were caused by the inability of the government to agree on a common course of action.

It is the president who decides what legislative proposals are sent to the Eduskunta, although in practice government bills are drafted by the Council of State and are sent to parliament after presidential approval. Failure to sign them within three months of their passage amounts to a suspensive veto on the part of the president, a veto which can be overridden by a simple majority of the Eduskunta after new parliamentary elections. Both the presidential veto and the Eduskunta override have been rare occurrences.

Another important presidential power involves the formation of new governments. The president has the formal power to nominate ministers, but his choices are bound by what the parties seated in the Eduskunta will accept. His choices must correspond to the chamber's political composition. Within these limits, though, the president's force of character and political will influence the formation of a government. The president also has the right to dismiss ministers, either individual ministers, or, if he wishes, the entire cabinet. The president may issue decrees about details of public administration, as long as these measures are not contrary to laws passed by the Eduskunta. The right to change laws is a parliamentary prerogative, although an emergency law may grant the president this power in times of crisis, as was done in World War II.

The president nominates all senior civil servants, high judges, provincial governors, diplomats, professors at the University of Helsinki, high churchmen, and the chancellor of justice. In making

these appointments, however, the president rarely departs from the names suggested to him by appropriate authorities. As commander in chief of the armed forces, a position he may delegate during wartime, as was done in World War II, the president also nominates military officers.

The president has the power to grant pardons and general amnesties, but the latter require the approval of the Eduskunta. Individual immunity may also be granted by the president, in accordance with certain provisions of the law. Moreover, the granting and the revocation of citizenship require the signature of the head of state.

The Constitution Act gives the president the responsibility for directing foreign affairs, and his authority in this area has grown markedly since World War II. The occasion for the decisive shift of presidential activity from principally domestic concerns to foreign relations was the threat a changing world order posed for Finland's survival; the crucial roles, played by President Paasikivi in formulating a new foreign policy and by President Kekkonen in consolidating it, restructured the office they held. Their success increased the prestige and the strength of the presidency beyond the formal powers already prescribed by the Constitution and enhanced the president's role as head of state.

By the late 1980s, however, a long period of stability both at home and abroad made the security and the direction provided by a strong and authoritative president seem less essential for the country's well-being, and there was serious discussion about limiting his power of intervention in the political process. Legislation was being prepared that would circumscribe his right to dissolve the Eduskunta and his role in the formation of governments; in the latter case, he would be required to take greater cognizance of the wishes of leading politicians. Other reforms likely to be realized in the next decade included curtailing the president's right to dismiss ministers, abolishing the 301-member college of electors, and limiting the president to two consecutive terms in office. Mauno Koivisto, first elected president in 1982 and reelected in 1988, supported reducing the traditional powers of the presidency (see *The Presidential Election of 1982 and Koivisto's Presidency*, this ch.). Observers held that these reforms would augment the governing roles of the prime minister, the cabinet, and the legislature and that they would mean that Finnish political practices came to resemble more closely those of other West European parliamentary democracies.

Council of State

The Council of State shares executive power with the president, and it is responsible for the management of the governmental machinery. The Council of State prepares the government bills presented to the Eduskunta and authors most legislation. In the late 1980s, it consisted of the prime minister, the chancellor of justice, and up to seventeen ministers who directed twelve ministries: foreign affairs, justice, interior, defense, finance, education, agriculture and forestry, communications, trade and industry, social affairs and health, labor, and environment. Some of the ministries have second or deputy ministers, and occasionally a minister holds two portfolios. There have been no ministers without portfolio since the early 1950s. Ministers must be "native-born Finnish citizens known for their honesty and ability." The minister of justice and one other minister must be lawyers, but otherwise there are no formal qualifications for a cabinet post. Ministers generally enter the cabinet from the Eduskunta, but it has not been uncommon for them to be drawn from the outside, especially to serve in caretaker governments composed largely of leading private citizens and civil servants. Even prime ministers have on occasion come from outside parliament, as did Mauno Koivisto in 1979. Ministers from the Eduskunta may continue to be members of that body, but they may not serve on any committee.

The prime minister heads the Council of State, sets its agenda, nominates some members of the council's committees, settles tie votes, and, most important, dissolves it when he sees fit or if it can no longer govern. The prime minister also represents the president when he is out of the country. If the president can no longer carry out his duties, the prime minister replaces him until a new presidential election can be held. Other than these rights and duties, a prime minister in the 1980s had few formal powers and had only a very small staff to assist him in his work. His main responsibility was holding together cabinets composed of a number of political parties that frequently had opposing views on central issues. He could manage this through personal prestige or by force of character, through backstairs wrangling, or, ultimately, by threatening to dissolve the cabinet if it did not adhere to the government's program.

A key member of the Council of State, although he is not a minister, is the chancellor of justice. Appointed for life by the president, he is obliged to attend all meetings of the council and to review its proceedings for legality. He has no vote, but his decisions about the legality of council proposals and decisions are regarded as

binding. The chancellor of justice also reviews the president's actions, and he reports infractions to the Council of State, or, if necessary, to the Eduskunta. He is also empowered to initiate proceedings according to the Responsibility of Ministers Act. One of the formal qualifications for his position is that he be well versed in the law; and within the country's legal system he is the highest prosecutor (see Legal System, this ch.).

The Council of State must enjoy the confidence of the Eduskunta in order to govern. The party composition of a new cabinet has to be acceptable to the Eduskunta, and it must correspond, to some degree, to the relative political strength of the parties within the chamber. Formation of a cabinet has often been difficult because, in addition to the large number of parties that participate in them, Finnish elections usually give no clear indication of how political realities should be reflected by a governing coalition. Even the selection of individual ministers can be troublesome, because the parties themselves have much to say about who serves as minister, and even a prime minister may have to accept members of his own party not of his choosing. If a suitable constellation of parties cannot be formed to yield an effective majority government, a minority government, or even a caretaker government, may be put together if the Eduskunta agrees.

The Council of State is held legally responsible for the acts of its ministers, in accordance with the Responsibility of Ministers Act of 1922. In addition to making ministers accountable for their official actions, this law—which has constitutional status—is also a vital, if indirect, means of controlling the president's actions. Because many of his decisions can be carried out only through the Council of State, ministers who approve an illegal presidential action are liable under the terms of this law. Ministers wishing to avoid the law's sanctions must refuse to be party to a presidential decision that they view as illegal. If ministerial consent is lacking, the president cannot act. In such a case, the president must either abide by the decision of the council or dismiss it and attempt to form a new one amenable to his wishes. If this is not possible, he may dissolve the Eduskunta and call for new elections with the hope of having the voters endorse his decisions by returning an Eduskunta from which a compliant government can be formed. If the council refuses to approve a lawful presidential decision, it is obliged to resign. Ministers can always resign individually, but the resignation of the prime minister means the end of a government.

A principal task of the Council of State is the preparation of legislative proposals, or government bills, that the president presents

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to the Eduskunta for ratification. Most of this work is done in an appropriate ministry, where, in addition to ministry personnel and civil servants, permanent and ad hoc commissions of experts and spokesmen for special interests can be consulted.

In the 1980s, the Council of State had three committees to handle important questions: the ministerial committees for finance, economic policy, and foreign affairs. The Finance Committee, meeting on Wednesdays, consisted of the prime minister, finance minister, and several other ministers. It prepared the government's budget and responded to the financial motions presented by individual members of the Eduskunta. The Economic Policy Committee met twice a week to discuss issues touching the country's economic life as a whole, broader questions about the government's budget, and other financial concerns suggested by the prime minister. The Foreign Affairs Committee, least important of the three, met when needed to discuss issues concerning foreign policy.

Plenary meetings of the Council of State, for which a quorum of five was required, had three forms. The so-called Evening School meeting, on Wednesday evenings, was a closed, informal session where ministers, top civil servants, politicians, and leading figures from outside government freely discussed decisions to be taken. It was thus a forum where the country's leaders met and exchanged opinions on important issues. Instituted in the late 1930s as a means of speeding the council's work, the Evening School had no formal decision-making power. Votes were taken at the Thursday meeting. The Council of State worked as a collegial body, and unanimous votes were not required. In case of a tie vote, the vote of the prime minister was decisive. Approved measures were presented to the president for signing at the Friday Presidential Meeting.

In accordance with its executive powers, the Council of State implemented its decisions and directed the ministries and the lower levels of the state administrative apparatus. This was done through presidential decrees and its own ordinances, neither of which could conflict with legislation passed by the Eduskunta. Ministers, aided by political secretaries drawn from their own parties, headed the country's twelve ministries. The ministries, which both formulated and administered policy, oversaw about eighty central boards that were wholly occupied with implementing policy. The central board system, inherited from the time of Swedish rule, had grown considerably, expanding by about one-third between 1966 and 1975 because of the increase in state social services. The boards, such as the National Board of General Education and the State Publishing Office, did much of the state's work. By tradition somewhat autonomous, they decided how legislation and ministerial decisions were to be carried out.



*Helsinki's neo-classical quarter includes the Government Palace, seen in the foreground. This building was constructed as the Senate House and was the seat of government during most of the tsarist period. After independence, it became the seat of the Council of State.
Courtesy Embassy of Finland, Washington*

Legal System

The legal system originated during the period of Swedish rule, and portions of the Swedish General Code of 1734 were extant in Finnish law even in the late 1980s. The country's first court of appeals was established at Turku in 1634. The modern division of the Finnish courts into two main branches—general courts, dealing with civil suits and criminal cases, and administrative courts, regulating the actions of the country's bureaucracy—also dates from this time. This division was formalized in 1918 when two sections of the Senate, the body that had governed Finland during the period of Russian rule, became the newly independent country's two highest courts. The Senate Department of Justice became the Supreme Court, and part of the Senate Finance Department was the basis of the Supreme Administrative Court. The two court systems are entirely separate, and they have no jurisdiction over one another. The establishment of the two courts was confirmed by the Constitution Act of 1919. Overseeing the system of justice are the chancellor of justice—the country's highest guardian of the law and its chief prosecutor—and the parliamentary ombudsman.

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Although these two officials have largely parallel functions and each is required to submit an annual report of his activities to parliament, the former is appointed for life by the president and is a member of the Council of State, whereas the latter is chosen for a four-year term by the Eduskunta. Both officials receive complaints from citizens about the conduct of civil servants, and on their own may investigate all public officials and may order prosecutors to proceed against them. The chancellor of justice supervises public prosecutors, and he also has the unrestricted right to investigate private persons. Both officials may call on either of the high courts for assistance.

The High Court of Impeachment may be convened for cases dealing with illegal official acts by cabinet ministers, judges of the two supreme courts, or the chancellor of justice. Members of this court, used only three times since its formation in 1922, are the chief judges of the two supreme courts and the six courts of appeal, a professor of law from the University of Helsinki, and six representatives from the Eduskunta.

As in the other countries of Nordic Europe, there is no constitutional court. Issues dealt with by a court of this kind elsewhere are handled by the Eduskunta's Constitutional Committee (see Legislature, this ch.).

According to Article 5 of the Constitution Act, all Finns are equal before the law, and Article 13 of the same act stipulates that they may be tried only in a court of their own jurisdiction. No temporary courts are permitted. Legislation passed in 1973 provides for free legal assistance to those in need as well as for free court proceedings in a number of courts. Trials in lower courts are usually open to the public. Records of trials in higher courts are made public.

Judges are appointed for life, with retirement set at age seventy, and they may be removed only for serious cause. With the exception of some lay judges in circuit courts and in some town courts, all judges hold legal degrees from one of the country's three law schools. The judiciary in the late 1980s was a rather closed profession, and only judges for administrative courts were occasionally selected from outside its ranks.

Defendants have no obligation to employ an attorney for their defense in a Finnish court, and may represent themselves or be represented by another layman rather than by a lawyer. Nevertheless, in most cases heard in general courts and in many argued in administrative courts, trained legal specialists are employed.

The general court system handles criminal cases and civil suits and has three levels: lower courts, courts of appeal, and the

Supreme Court. There are two kinds of lower courts: town courts, numbering 30 in the entire country; and circuit courts, totaling 147 in 71 judicial districts. Town courts consist of three judges, all trained professionals except in some small towns. One of these judges is the chief judge chosen by the Supreme Court; the others are selected by local authorities. Decisions are made on a collegial basis. Circuit courts consist of a judge, chosen by the Supreme Court, and five to seven lay judges, i.e., persons without legal training, chosen by local authorities for a term of four years. Decisions on cases in courts of this type are made by the professional judge, unless he is overruled by the unanimous vote of the lay members of the court. Larger cities also have housing courts that deal with rent and accommodations.

Appeals from lower courts are addressed to the six courts of appeal located at Helsinki, Turku, Vaasa, Kouvola, Kuopio, and Rovaniemi. Most cases at these courts are heard by professional three-judge panels; more important cases are tried before a plenary session of judges if the chief judge so decides. In cases involving senior government officials, a court of appeals may serve as the court of first instance. Judges of the courts of appeal are appointed by the Supreme Court.

The Supreme Court, located in Helsinki, consists of a chief justice, or a president, and twenty-one judges usually working in five-judge panels. It hears cases involving appeals of decisions of appellate courts where serious errors are alleged to have occurred, or where important precedents might be involved. A sentence from a court of appeals may go into effect immediately, despite an appeal to the Supreme Court, but it may be postponed while the case is pending if the Supreme Court so decides. The chief justice of the Supreme Court is appointed by the nation's president, and the other judges of that court are appointed by the president on the recommendation of the Supreme Court.

The administrative courts system consists of twelve county courts, one in each of the country's twelve provinces, and the Supreme Administrative Court, located in Helsinki. All judges in administrative courts are professionals, appointed in the same manner as judges who sit in general courts. Judges work in three-judge panels at the provincial level and in five-judge panels in the Supreme Administrative Court. When appropriate, the latter meets in plenary sessions to hear especially important cases.

Administrative courts deal with appeals against administrative decisions by government agencies, although in some cases appeals are directed to higher administrative levels within the government. About 80 percent of the cases of the county courts involve appeals

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of government tax decisions; the remainder deal with questions relating to construction, welfare, planning, and local government. The Supreme Administrative Court handles appeals of county court and central government board decisions that affect, or are affected by, administrative law. About 50 percent of the cases heard in the Supreme Administrative Court involve questions about taxes.

Finland also has special courts to handle civil cases; some of these courts render judgments from which there is no appeal. The four land courts settle disputes about the division of land, and their decisions may be appealed to the Supreme Court. Appeals from the insurance court, which handles social insurance cases, also may be appealed to the Supreme Court. Cases that involve water use are dealt with in the three water courts, and may be appealed first to the water court of appeals and from there to the Supreme Court. If the case involves water permits, appeals go to the Supreme Administrative Court. Decisions of the labor court and the marketing court may not be appealed. The former treats disputes about collective bargaining agreements in either the public or the private sector. Its president and vice president are lawyers; its remaining members come from groups representing labor and management. The marketing court regulates disagreements about consumer protection and unfair competition.

Civil Service

Article 84 of the Constitution Act stipulates that only Finnish citizens may be appointed to the civil service, although exceptions may be made for some technical and teaching positions. Article 85 states that educational requirements for the civil service will be set by law or statute, and that only on special grounds may the Council of State make an exception to the set requirements. Exceptions of this type seldom occur. No exceptions may be made for appointment to a judicial post. According to Article 86, successful applicants for civil service posts will be promoted on the basis of "skill, ability and proved civic virtue." State employees also often must have an appropriate mastery of the country's two official languages.

There is no general recruitment in Finland for civil service posts, nor does the country have a preferred school for training civil servants. The recruitment is done on an individual basis for a vacant or a newly created post.

Civil servants enjoy a fairly secure tenure in their posts, but they may be dismissed for poor performance or for disreputable behavior on or off the job. About 90 percent of civil servants were unionized in the late 1980s. Since the passage of the Act on Civil Service

Collective Agreements in 1970, civil servants have had the right to strike. If a strike of a category of civil servants threatens society's welfare, the dispute may be reviewed, but not settled in a binding way, by a special board. If required, the Eduskunta may settle the disagreement through legislation.

By the early 1980s, there were about 125,000 civil servants employed in the national government, which made it the country's largest employer. More than twice this number worked for local government and for related institutions. Government employment grew rapidly during the 1960s and the 1970s, and was accompanied by a marked increase in the politicization of the civil service, especially at higher levels. Even at lower levels, posts were often filled on the basis of party affiliation. Sometimes appointments were arranged by "package deals," through which the parties secured for their members a suitable portion of available posts. Care was taken, however, that appointees meet the stated requirements for state posts, and political parties even arranged for training so that their candidates would be qualified applicants for given posts.

Politicization of public jobs resulted partly from the desire that the civil service, traditionally conservative, reflect the new political dominance of the center-left governments formed after 1966. President Kekkonen also used the spoils system to cement the broad coalition governments he introduced in the second half of the 1960s (see Finland in the Era of Consensus, 1966–81, ch. 1). A study from the early 1980s found that by 1980 the number of senior civil service posts occupied by nominees of the Center Party (*Keskustapuolue*—*Kesk*) and the Finnish Social Democratic Party (*Suomen Sosialidemokraattinen Puolue*—*SDP*) had doubled for the former and tripled for the latter in just fifteen years, mostly at the expense of officials linked to the National Coalition Party (*Kansallinen Kokoomuspuolue*—*KOK*).

Widespread criticism of the politicization of the civil service and complaints that the practice was harmful to efficiency and to democratic values led to recommendations for stricter control of hiring and even for the prohibition of all political appointments. By the late 1980s, no such ban had been instituted, but in general a decline in partisan nomination for civil service posts seemed to have occurred since the election of President Koivisto in 1982. Appointments in provincial governments, however, continued to be booty for politicians. Despite these partisan practices, the civil service had a reputation for competence, and it enjoyed the support of most Finns.

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Provincial Administration

Finland is divided into twelve provinces: Lappi, Oulu, Kuopio, Pohjois-Karjala, Keski-Suomi, Vaasa, Mikkeli, Häme, Turku ja Pori, Kymi, Uusimaa, and the Åland Islands. A governor appointed by the president heads a provincial government made up of public officials. At this level of administration, regarded in Finland as an unimportant intermediate stage between national and local government, there are no elective offices. The country's provincial government is less extensive than that of many other countries because local government manages many tasks done elsewhere on the provincial level.

The responsibilities of provincial administration include police work, civil defense, regional planning, price and rent control, direction of social and health services, oversight of local governments' adherence to environmental and other state regulations, and collection of taxes, fees, and revenues owed to local and to national government. The provincial government is also involved in the functioning of the county administrative courts, and, with authority granted to it by the Ministry of Justice, supervises elections.

Local Administration

Finland's tradition of local self-government, which predates the arrival of Christianity in the country, was placed on a more modern footing in the nineteenth century when local functions were taken from the church, and communities became responsible for education and health matters. Universal suffrage was introduced in local government in 1917, and the Constitution Act of 1919 states in Article 51 that "the administration of the municipalities shall be based on the principle of self-government by the citizens, as provided in specific laws." How local self-government is practiced in the country's urban and rural municipalities (numbering 94 and 367, respectively, in 1988) is specified by the Local Government Act of 1976.

The governing body in a municipality is the municipal council, the members of which, ranging in number from seventeen to eighty-five, are elected by universal suffrage for four-year terms. Elections are held in October, and the proportional representation list system is used. Any Finnish citizen legally resident in the municipality and at least eighteen years old by the year in which the election is held can vote. Since 1976, citizens of Sweden, Norway, Denmark, and Iceland who have been legal residents of Finland for at least two years may also vote. Voter turnout has generally been somewhat lower than in national elections. In the 1988 local



*Council of State Chamber, Government Palace
Courtesy Embassy of Finland, Washington*

lections, for example, only 70 percent of those eligible—about five to ten percent less than in national elections—voted.

Finnish citizens have an obligation to serve in elective local government posts, which has meant that most elected officials are laymen. The 1976 law provides for financial compensation and pension rights for those citizens elected to local positions.

Candidates traditionally have campaigned for office through national party organizations, and local election results are regarded as an indication of the national parties' popularity. Local electoral results mirror those of national elections with regard to party dominance in particular regions. Members of the Eduskunta often have begun their careers on the local level, and they have been allowed to hold both local and national elective offices at the same time. Continued participation in politics at the grass-roots level has given Helsinki politicians close contact with their constituents.

The responsibilities of municipal government include managing the budget and financial affairs, approving plans submitted to it, delegating authority to committees, and making decisions on important issues. They also direct school, health, and social welfare systems; see to the construction and maintenance of local roads; provide for the management of waste and water; and supply energy. Many decisions relating to financial or budgetary questions require two-thirds majorities in council votes. This means that there is

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much discussion behind the scenes before votes are taken and that there exists the same consensus politics at this level as is practiced on the national level. Because municipal governments have no legislative or judicial powers, decisions are carried out by means of ordinances.

Much of the routine work of governing is managed by the municipal board, which consists of at least seven people, one of whom is the chairman. Board members, who serve for two-year terms, come from the council, and they are chosen to reflect its party composition. The board prepares matters to be discussed by the council, and, if measures are approved, implements them. Aiding the board are a number of committees, some obligatory.

A staff of trained municipal employees assists the council, the board, and the committees. To meet their overall responsibilities, municipal governments employed a large number of persons, about 17 percent of the country's total work force in the 1980s. For duties too broad in scope for a single municipality, the managing of a large hospital for example, communities join together to form confederations of municipalities or joint authorities. By the 1980s, there were about 400 of these bodies. Local authorities are also obliged by the Local Government Act of 1976 to formulate, publish, and frequently revise a five-year plan covering administration, financial affairs, economic growth, and land use. Expert assistance from national government bodies, such as the Ministry of Interior, helps local bodies to fulfill this obligation.

The responsibilities of local government have grown in recent decades, and in the 1980s about two-thirds of public sector spending was in the hands of local authorities. Local involvement in planning also meant that 10 percent of the investment in the nation's economy came from municipal coffers. In order to meet their responsibilities, local governments have the right to tax, including the right to establish local tax rates, a power needed for their independence, but one that supplies them with only 40 percent of the monies they expend. The remainder is furnished by the national government (a little over 20 percent) or is derived from various fees and charges.

Finnish local self-government is subject to a variety of controls. The national government decides the municipalities' duties and areas of responsibility, and once they are established, only a law passed by the Eduskunta may alter them. The municipalities are obliged to submit many of their decisions to a regional body or to a national government agency for approval. This control, however, is often rather loose, and only when a local government has broken a law does the provincial or the national government

intervene. Except for minor changes, proposals to higher levels of government are not amended by them, but rather are returned to local authorities, who themselves modify measures or decisions to meet prescribed standards.

Meetings of municipal councils are generally open to the public, and though board and committee meetings are closed, records of their proceedings are subsequently published. Local governments or communes are also obliged to publicize their activities. Individuals who believe they have been wronged by a municipal policy may appeal to the courts or to officials at the provincial or national level.

Electoral System

Universal suffrage for national elections was introduced to Finland in 1906, and it was extended to local elections in 1917. With the exception of some minor reforms, the original proportional representation system remains unchanged. This system enjoys full public support, for although it favors larger parties slightly, proportional representation allows political participation of small, and even marginal, groups as well.

All Finns over the age of eighteen by the year of an election are eligible to vote. Voting is not compulsory, and, in the 1980s, participation averaged around 80 percent, slightly below the average rate of the Nordic countries.

In the 1980s, the country was divided for national elections into fifteen electoral constituencies, fourteen of which sent between seven and twenty-seven representatives to the Eduskunta, according to their population. The constituency for the Åland Islands sent one. Constituencies corresponded to provinces except that Häme Province and Turku ja Pori Province were each divided into two, and Helsinki formed one electoral district itself. The five southernmost constituencies supplied nearly half of the Eduskunta's delegates. In the early 1980s, one delegate represented about 24,000 Finns.

Candidates for the Eduskunta are almost invariably nominated by a political party, although a 1975 amendment to the election law allows the candidacy of a person sponsored by a minimum of 100 Finns united in an electoral association. Party lists for a constituency contain at least fourteen names—and more for those constituencies with high populations. Since 1978 a secret primary among party members has been required if a party has more candidates than places on its party list. Parties may form electoral alliances with other parties to present their candidates, and they

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often do so because of lack of resources. This practice partly explains the high number of small parties successfully active in Finnish politics.

Since the introduction of proportional representation in 1906, Finland has used the d'Hondt constituency list system with only slight modifications. Under this system, elections are based on proportionality rather than on plurality, and seats are allotted to parties commensurately with the number of votes polled. Votes go to individual candidates, however, and voters indicate their preferred politician by circling the number assigned to him or to her on their ballots.

The Finnish system is distributive in several ways. There is no electoral threshold, such as the Swedish requirement that a party receive at least 4 percent of the votes in order to sit in parliament. In Finland it was feared that a threshold requirement might deprive the Swedish-speaking minority of seats in the Eduskunta. The Finnish system also favors parties with a pronounced support in certain areas, rather than those with a thin nationwide presence. Parties are not obliged to contest Eduskunta elections in every constituency. The practice of voting for an individual candidate rather than for a party means that voters can register their dissatisfaction with a party's policy or leadership by voting for one of its junior candidates. This characteristic of the Finnish system means that no candidate, no matter how senior or renowned, is assured election.

Elections for the 200-seat Eduskunta are held every four years in March, except when the president has dissolved the body and has called for an early election. Municipal elections take place every four years in October.

The presidential election occurs every six years in the month of January. Beginning with the 1988 election, it is to be carried out on the basis of direct universal suffrage. If none of the candidates receives more than half of the votes, 301 electors, chosen in the same election, choose the next head of state. Although pledged in the campaign to particular presidential candidates, members of the electoral college have the right to vote in the body's secret ballots for any candidate who has won at least one elector. If no candidate secures a majority of the college in the first two ballots, one of the two candidates who has received the most support on the second ballot will be elected president in the third and final vote. By the late 1980s, there was serious discussion of doing away with the electoral college completely and making the president's election dependent on a direct vote with no majority required.

Åland Islands

The province of the Åland Islands enjoys considerable autonomy by virtue of the Autonomy Act of 1951 that guarantees the way of life and the preservation of Swedish traditions on the islands. The 1951 law was supplemented by a 1975 law that restricts the acquisition of real estate on the islands. Both laws have constitutional status, and they may be altered only in accordance with the strict parliamentary provisions that protect the Constitution.

In addition to this protection against legislation prejudicial to its interests, the archipelago's provincial assembly, the Landsting, has the right to ratify laws affecting it. The Landsting consists of thirty members elected on the basis of proportional representation for four-year terms. Voters must be eighteen years of age by the year of the election and must have the right of domicile on the islands, a right acquired by living for at least five years in the province. Those with this right may also exercise certain professions and may acquire real estate, and they may not be conscripted if they have been residents of the islands since before their twelfth year. This last provision resulted from the demilitarized and neutral status of the islands established by a decision of the League of Nations in 1921 (see Finnish Security Policy Between the Wars, ch. 1).

The Landsting has the right to pass laws that touch on administration, provincial taxation, police matters, transportation, health care, and cultural matters. Issues relating to the Constitution, national defense, foreign affairs, the judiciary, family law, and civil law are outside its competence. All laws passed by the Landsting must be approved by the president of the republic, who may veto those laws judged to exceed the Landsting's competence or to damage the country's internal or external security.

The highest executive authority in the province is the Provincial Executive Council, consisting of seven members elected by, and from within, the Landsting. The council must enjoy the confidence of the Landsting to carry out its duties, and the president of the council can be forced to resign if this is not the case.

The governor of the province represents the national government. He is appointed by the president of the republic, but only after the approval of the Landsting, and is responsible for those administrative functions beyond the competence of provincial authorities. Another link between the islands and the national government is the Åland Delegation, usually headed by the provincial governor; its other four members are chosen by the Council of State and the Landsting. The delegation's chief duties are

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supervising transfers of funds from the national government to the provincial government, to pay for the costs of self-government, and examining laws passed by the Landsting, before sending them to the president. In addition to these ties between the archipelago and the mainland, the province has one representative in the Eduskunta who usually has a seat on the Constitutional Committee in order to protect the islands' rights. Since 1970 the province has had one delegate at the annual meeting of the Nordic Council.

During the late 1980s, changes of a constitutional nature in the relations between the Åland Islands and the national government were under review in the Eduskunta. The projected legislation touched on increased provincial control of the taxes the archipelago pays or generates and on greater control over radio and television reception, with the aim of increasing access to programming from Sweden and to the Swedish-language programs of the Finnish broadcasting system. Having secured the right to issue their own stamps in 1984, the archipelago's inhabitants also wanted to have their own postal system, a right still reserved to the national government. Under discussion, too, were international guarantees for the islands' security.

Political Dynamics

Consensus has been the dominant mode of Finnish politics since the formation of a broadly based coalition government in 1966 and the establishment of the comprehensive incomes policy system in the late 1960s. The government, made up of parties fundamentally opposed to each other, was formed at the insistence of President Kekkonen. He had long wished to heal the deep and bitter rifts that had marred Finnish public life since the country had gained independence in 1917.

The dozen or so political parties that made up the country's party system in 1966 reflected the divisions that ran through Finnish society. The socialist end of the spectrum was broken into two mutually hostile, roughly equal segments, communist and social democratic, often accompanied by leftist splinter groups. The political middle was filled, first, by the agrarian Center Party, the country's most important party, with a rural base in a society that was rapidly becoming urbanized; second, by the Swedish People's Party (Svenska Folkpartiet—SFP), representing a minority worried about its future and divided along class lines; and third, by a classic liberal party that was in decline. The right consisted of a highly conservative party tied to big business and to high officials, the KOK; and the radical Finnish Rural Party (Suomen Maaseudun Puolue—SMP), the populist impulses of which linked

it to the "forgotten" little man often also resident in urban areas. Kekkonen's presidential power and personal prestige enabled him to form in 1966 the popular front government that pulled together sizable social groups to realize important welfare legislation in the late 1960s.

The mending of rifts in the labor movement and a fortuitous agreement in 1968 by leading actors in the market sector led to the first of a number of comprehensive incomes agreements. These agreements, reached by organizations representing most economically active Finns, usually ran for several years and often required enabling legislation (see *Industrial Relations*, ch. 3).

Critics of the agreements, which have brought much prosperity to Finland and therefore enjoy widespread support, charge that their monolithic quality has meant not consensus but a "time of no alternatives." According to this view, the agreements have reduced state institutions to mere ratifying agents rather than governing bodies. It is claimed that labor and business negotiate while government approves after the fact.

Most of the country's political parties, so fractious and distinct until the 1960s, then drifted toward the political center; remaining disagreements among the principal parties focused less on what policies were to be than on how they were to be implemented. Because most economic legislation required the set majorities stipulated by laws of constitutional status, parties were obliged to work closely together. Even parties not in government have had their say about the content of economic legislation, for without their approval many government bills would have failed.

Another characteristic of Finnish politics and public life was the common practice of reaching agreements on key questions through informal backstairs elite consultation. Often disputes were settled through private discussions by the concerned parties before they were handled in the formal bargaining sites established for their public resolution. This was true for wage package settlements, as well as for legislative proposals scheduled for debate in the *Eduskunta*, and for other issues that required negotiation and compromise. An institutionalized version of behind-the-scenes negotiations was the Evening School of the Council of State, where leading figures of various groups could freely discuss issues on the government's agenda. The Finnish tradition of informal sauna discussions was an extreme example of informal inter-elite consultations. Some observers claimed that important national decisions were made there in an atmosphere where frank bargaining could be most easily practiced. Advocates of these informal means of uniting elite representatives of diverse interests held that they were quick and

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to the point. Opponents countered that they encouraged secrecy, bypassed government institutions, and ultimately subverted democracy.

Since the second half of the 1960s, there has been an increasing formalization of the role played by political parties in the country's public life. In 1967 the government began paying subsidies to political parties, and the passage of the Act of Political Parties in 1969 gave the practice a legal basis. According to the law, parties were to receive subsidies according to the number of delegates they had in the Eduskunta. Several other eligibility requirements for state funds that also had to be met were nationwide—rather than local—activity for political purposes, determination of internal party affairs by democratic means, voting membership of at least 5,000, and a published general political program.

The Act of Political Parties provided the first mention of parties in Finnish legislation, despite their central position in the country's political life. State subsidies were a recognition of the role parties played, and the subsidies have further increased that role. Consequently, the number of party officials has increased, as has the number of parties, an effect opposite to that intended by the large parties that pressed for subsidies. The large parties funneled a good part of their funds to their local and their ancillary organizations, while the small parties, with their existence at stake, used their resources on the national level.

The Social Democratic Party

Founded in 1899 as the Finnish Labor Party, the Finnish Social Democratic Party (Suomen Sosialidemokraattinen Puolue—SDP) took its present name in 1903 and adopted a program that envisioned the gradual realization of a socialist society, not by revolution but through parliamentary democracy. In the 1907 parliamentary election, the SDP won eighty seats, easily surpassing the results of its closest rival, the Old Finn Party. Then, in 1916, the last time any Finnish party has done so, the SDP won slightly more than an absolute majority.

Seduced by the example of the Bolshevik Revolution in nearby Petrograd, many Social Democrats sought in early 1918 to realize long-term party goals quickly and by force (see *The Finnish Civil War*, ch. 1). After the defeat of the left in the civil war and the departure of radical elements from its ranks, however, the SDP was reconstituted in the same year under the leadership of the moderate Väinö Tanner, an opponent of the use of violence for political ends. Although still the country's largest political party, the SDP was in only one government—a short-lived minority

government formed by Tanner in 1926—until 1937. At that time, it joined the Agrarian Party (Maalaisliitto—ML) in forming the first of the so-called Red-Earth governments, the most common and important coalition pattern for the next fifty years. A tempering of SDP policy on the place of the small farmer in Finnish society permitted political cooperation with the Agrarians, although the party retained its program of a planned economy and the socialization of the means of production.

It was in 1937 that the SDP first began to demand the right to collective bargaining, and the party remained closely connected to organized labor. In 1930, for example, it had formed the Confederation of Finnish Trade Unions (Suomen Ammattiyhdistysten Keskusliitto—SAK) in an attempt to counter communist influence in the labor movement. During World War II, the SDP contributed significantly to national unity, and it resisted both rightist dreams of a Greater Finland and the desires of others for an early truce with the Soviet Union.

After the war, long-standing tensions within the party caused factional disputes, between those advocating closer relations with both the Soviets and the newly legalized Communist Party of Finland (Suomen Kommunistinen Puolue—SKP) and those critical of the Soviet Union and its undemocratic methods. Some SDP members left it for the newly formed popular front organization, the Finnish People's Democratic League (Suomen Kansan Demokraattinen Liitto—SKDL), which participated in the broad popular front government formed after the 1945 elections. After the defeat of the communists in the 1948 elections, the SDP held all cabinet posts in the minority government of 1948–1950; however, thereafter the party participated in cabinets on an irregular basis, and it was riven by internal struggles until the 1960s.

During the 1950s and early 1960s, the SDP as a whole became increasingly moderate. An early indication of this move toward moderation was the party program adopted in 1952 that played down the role of class conflict and was critical of communism. Still, bitter internal wrangles continued to plague the party into the 1960s. The conflicts had both political and personal origins, but their core was disagreement about the SDP's policy toward the Soviet Union. Tanner's implacable hostility to the undemocratic nature of Soviet society had led Moscow to insist on his imprisonment as a "war criminal" after the war. His reinstatement as party leader in 1957 has generally been regarded as a factor in the Night Frost Crisis of 1958 and in the SDP's subsequent exclusion from power until 1966 (see *Domestic Developments and Foreign Politics, 1948–66*, ch. 1).

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Conflicts relating to domestic politics resulted in the departure in 1959 of members close to farming interests. They formed the Social Democratic Union of Workers and Small Farmers (Työväen ja Pienviljelijäin Sosialidemokraattinen Liitto—TPSL), a splinter group that contested elections and was included in several governments until the 1970s, when it expired and most of its remaining members returned to the SDP.

The election of Rafael Paasio to the party chairmanship in 1963 ended the reign of the old leadership and brought a gradual improvement in SDP relations with the Soviet Union; another result was a gradual healing of rifts within the labor movement. These changes, coupled with the election returns of 1966 that led to the first socialist majority in the Eduskunta since 1945, allowed the party to leave the political wilderness to which it had been consigned after the Note Crisis of 1961 (see table 5, Appendix A). It participated in a strong majority government together with the newly renamed Center Party (formerly the Agrarian Party), the SKDL, and the TPSL. The popular front government passed a good part of the legislation that transformed Finland into a modern welfare state of the Scandinavian type and helped to establish the system of collective wage agreements that still prevailed in the late 1980s.

During the 1970s, the SDP moved closer to the center in Finnish politics as a result of the departure of some of the party's members for groups farther to the left and the cautious pragmatic leadership of Kalevi Sorsa, who became party chairman in 1975. Sorsa, who held this position until 1987, served from the mid-1970s until the late 1980s as either prime minister or foreign minister in all governments, which helped to remove any doubts about the party's suitability for governing.

The SDP's success in the elections for the Eduskunta in 1983, coming after the triumph of SDP politician Mauno Koivisto in the presidential election a year earlier, may have marked a high point in the party's history, for in the second half of the 1980s the SDP had trouble attracting new voters from postindustrial Finland's growing service sector. The SDP's years as a governing party, which had tied it to many pragmatic compromises, lessened its appeal for some. At the same time, the number of blue-collar workers, its most important source of support, declined. The party could be seen as a victim of its own success in that it had participated in implementing policies that brought unprecedented prosperity to Finland, which served to transform Finnish society and dissolve old voting blocs.



Upper left, Kalevi Sorsa, a leading Social Democrat and former prime minister and minister of foreign affairs; Upper right, Paavo Väyrynen, a prominent member of the Centre Party and a former minister of foreign affairs; Lower right, Harri Holkeri, leader of the National Coalition Party and prime minister, 1987- Courtesy Embassy of Finland, Washington



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The party lost 100,000 votes and the office of prime minister in the 1987 parliamentary elections (see table 6, Appendix A). The SDP remained in the government formed by the conservative National Coalition Party, however. Observers believed that the new party chairman, Pertti Paasio, son of Rafael Paasio, and other younger members of the party would have to adapt to long-term trends in Finnish society that promised to make the party's future difficult. Although the SDP registered slight gains in the 1988 local elections, it still had to contend with the same economic and social problems that made the other social democratic parties of Western Europe seem to many to be parties of the past.

The Center Party

The Center Party (Keskustapuolue—Kesk), which took this name in 1965 with the aim of widening its appeal and adapting to changing social conditions, was founded in 1906 as the Agrarian Party. It has been, as its present name indicates, the key party in Finnish politics since independence; until the formation of a conservative-socialist government in 1987, it had participated in virtually every majority government. Founded to represent the interests of small farmers in eastern and in northern Finland, Kesk also gradually came to claim central Finland as an area of support during the 1920s. As a consequence, it was the largest nonsocialist party until the national elections of 1979, when the National Coalition Party pulled ahead. As the party of small farmers, the Kesk was, from its birth, suspicious of the concentrated economic power of the south—labor, large farmers, and business. To counter these interests, the party advocated a firmly democratic and populist program that emphasized the primacy of the family farm, small-scale firms managed by their owners, decentralization of social organizations, and the traditional virtues and values of small towns and the countryside. The party's commitment to democracy was tested and proven in the 1930s when it rejected the aims of the radical right and perhaps saved Finland from fascism. In the second half of the decade, it began to govern with the assistance of the SDP, forming with that party the first of the so-called Red-Earth governments that became the country's dominant coalition pattern for the next half-century. Kesk's claim to represent the "real" Finland, however, caused it, at times, to seek to curtail the rights of the Swedish-speaking minority, and some Kesk leaders, Urho Kekkonen for example, were active in the Finnicization program.

Although opposed to fascist doctrines, Kesk had favored fighting on the side of Nazi Germany—as a cobelligerent—during the Continuation War of 1941–44, in the hope of regaining lost

national territory. During the course of the war, however, some of the party's leaders came to the conclusion that good relations with the Soviet Union were essential if Finland were to survive as an independent nation. Kekkonen, in particular, was a driving force in effecting this change of party policy in the postwar period (see *Domestic Developments and Foreign Politics, 1948-66*, ch. 1). This policy change was achieved, though, only after a bitter struggle during which segments of the party's leadership hoped for Kekkonen's political destruction; however, generational change and his domestic and foreign successes allowed Kekkonen gradually to gain nearly absolute control of the party, which he retained even after election in 1956 to the presidency, a post ideally above party politics.

Soviet desires for a dependable contact in Finland, and the unsuitability of other parties, soon made Kesk Moscow's preferred negotiating partner, despite the party's anticommunist program. The Soviets' natural ally, the SKP, was seen as being too much a political outsider to be an effective channel of communication. Kesk's position in the center of the political spectrum made it the natural "hinge party" for coalition governments. After the Note Crisis, Kekkonen's mastery of foreign policy also served, and at times was cynically used, to preserve this role.

Postwar social changes, such as internal migration to the south and a growing service sector, have reduced support for Kesk and have brought about a steady decline in its share of seats in the Eduskunta (see table 4, Appendix A). Attempts to bring the party's program into line with a changing society did not win Kesk new support. In prosperous southern Finland, for example, Kesk failed to make significant inroads, electing only once a member of the Eduskunta from Helsinki. Young voters in the south, or the coastal region as it is sometimes called, favored the National Coalition Party or the environmentalist Greens (Vihreät). Also damaging to Kesk was the loss of a segment of its membership to the SMP, after its formation in 1959. Kesk was not able to retain the presidency after Kekkonen's retirement in 1981; its candidate for the 1982 presidential election, Johannes Virolainen, was easily defeated, as was the 1988 Kesk candidate for this post, Paavo Väyrynen.

Kesk's failure, despite only slight losses, to participate in the government formed after the 1987 national elections was perhaps a watershed in Finnish domestic politics. Until that time, Kesk had been an almost permanent governing party. Demographic and occupational trends continued to challenge Kesk in the late 1980s, but the party's large and convinced membership, far greater than that of any other party, probably meant that any decline in its role in Finnish politics would be a slow one.

The National Coalition Party

The National Coalition Party (Kansallinen Kokoomuspuolue—KOK) was founded in November 1918 by members of the Old Finn Party and, to a lesser extent, by followers of the Young Finn Party. It represented interests desiring a strong state government that would guarantee law and order and the furtherance of commerce. Defeated in its attempt to establish a monarchical government, the party formulated a program in 1922 that clearly set out its conservative aim of emphasizing stability over reform. The large farms and businesses in southern Finland were the basis of the party's support.

Throughout the interwar period, the party was hostile to the rights of the Swedish-speaking minority and sought to deprive the Swedish language of its status as one of the country's two official languages. During the 1930s, it had close contacts with the radical right-wing movements that mirrored trends elsewhere and for a time posed a threat to Finnish democracy. One of the party's leaders, Juho Paasikivi, elected party chairman in 1934, attempted with some success to move it away from these extreme positions. The KOK was opposed to the Red-Earth government formed in 1937, but was not strong enough to prevent it. During the war, the party was part of the national unity governments.

After the war, the KOK became the most right-wing party in Finland, as groups farther right were banned by the armistice agreement of 1944 and the SKP was legalized (see *The Cold War and the Treaty of 1948*, ch. 1). Despite Paasikivi's terms as prime minister in the first postwar years, his election to the presidency in 1946, and the role he played in the drafting of the Treaty of Friendship, Cooperation, and Mutual Assistance (FCMA—see Appendix B) as well as in the reorienting of Finnish foreign policy, his party was not regarded as an acceptable coalition partner for much of the postwar period. Soviet doubts about the sincerity of KOK's support for the new direction of Finnish foreign policy, the so-called Paasikivi Line, was sufficient to keep the KOK, for decades the country's second largest nonsocialist party, out of government for most of the postwar period.

The party also was excluded from governments because it was seen by many to be rigidly right-wing, despite party program changes in the 1950s that moved it closer to the conservatism practiced by its sister parties in larger West European countries. The party program of 1957 formalized its support for a "social market economy" and for the concept of employer responsibility to wage earners.

In the postwar years, the KOK often allied with the SDP to reduce agricultural subsidies, a joint effort that continued in the late 1980s. The division between city and country interests continued to be a key element in Finnish politics in the second half of the 1980s, and it was one reason why the two principal non-socialist parties, the KOK and Kesk, were political rivals.

An action that increased the enmity between the KOK and the Kesk leader, Kekkonen, and contributed to the Note Crisis was the formation of the so-called Honka League by the KOK and the SDP. The Honka League aimed to stop Kekkonen's reelection in 1962, but the attempt never had a chance, and it was soon abandoned. The KOK continued to be opposed to Kekkonen and to his foreign policy, however, and it was the only major party to oppose his reelection in 1968. Nevertheless, moderate elements in the party gradually gained control and softened its policies, both domestic and foreign. In the 1970 national elections, the KOK increased the number of its seats in the Eduskunta by one-third, and since 1979 it has been the largest nonsocialist party in the country.

Some right-wing members of the KOK, dissatisfied with the party's steady drift toward the political center, have left it. In 1973 some formed the Constitutional Party of the Right (*Perustuslaillinen Oikeistopuolue*—POP) to protest Kekkonen's special election to the presidency in 1974, but this only accelerated the KOK's move toward moderation. Under the leadership of Harri Holkeri—the party's candidate for the presidency in 1982 and in 1988, and Ilkka Suominen—longtime party chairman, the KOK has been able to attract many of those employed in Finland's rapidly growing service sector, and in the 1987 elections it nearly overtook the SDP. Kept out of power because of unexpected losses in the 1983 Eduskunta elections, Holkeri was able to form a government after the 1987 elections and to take the prime ministership for himself. He pledged his government to a program of preserving Finland's welfare state while maintaining a free market economy strong enough to be competitive abroad and to safeguard the country's prosperity.

The Communist Party of Finland

The Communist Party of Finland (*Suomen Kommunistinen Puolue*—SKP) was founded in August 1918 in Moscow by exiled leftists after their defeat in the civil war. Its Marxist-Leninist program advocated the establishment of a socialist society by revolutionary means. Declared illegal the following year, the SKP was active in Finland during the 1920s through front groups, the most notable of which was the Finnish Socialist Workers' Party

(Suomen Sosialistinen Työväenpuolue—SSTP), which received more than 100,000 votes in the 1922 national election and won 27 seats in the Eduskunta. The rise of the radical right-wing Lapua movement was a factor in the banning of all communist organizations in 1930, and the SKP was forced underground (see *The Establishment of Finnish Democracy*, ch. 1).

The Stalinist purges of the 1930s thinned the ranks of the SKP leadership resident in the Soviet Union. A survivor of the purges and one of the founders of the party, Otto Kuusinen, was named to head a Finnish puppet government set up by the Soviets after their attack on Finland in 1939. It did not ever attract the support from the Finnish workers that the Soviets expected, nor did the SKP succeed, during the Continuation War, in mounting a resistance movement against Finnish forces fighting the Soviet Union. At the war's end, the SKP was able to resume open political activity within Finland; in the 1945 election it won forty-nine seats and was rewarded with several posts in the resulting cabinet (see *The Cold War and the Treaty of 1948*, ch. 1).

In this election, as in all elections since then, the SKP worked through an umbrella organization, the Finnish People's Democratic League (Suomen Kansan Demokraattinen Liitto—SKDL), established with the aim of uniting all left-wing elements into a common front. Although mainly composed of noncommunists, and usually led by a noncommunist socialist, the SKDL has generally been dominated by the SKP. Despite its initial electoral success, however, the SKDL has not been successful in attracting all Finnish leftists, and the bulk of the SDP has refused to work with it.

The SKDL was not able to retain its hold on the voters in the 1948 Eduskunta election, and it lost eleven seats. Rumors of a planned communist coup contributed to this defeat. During the 1950s and the early 1960s, the SKP/SKDL continued to participate in the electoral process, but with mixed results. The SKP/SKDL did not enter government again until 1966, when Kekkonen insisted that the group be given ministerial posts so that a broadly based coalition government could be formed. After this date, the party was in most governments until December 1982, when Prime Minister Sorsa forced it to resign for refusing to support a part of the government's program.

Tensions long present in the SKP became more pronounced in the second half of the 1960s, when social changes began putting pressure on the party to adapt itself to new conditions. Internal migration within Finland, from the northern and eastern areas where "backwoods communism" had always been a mainstay of party support, deprived the SKP of votes. The gradually increasing

service sector of the economy reduced the size of the blue-collar vote in the south that the SKP had traditionally split with the SDP. A more prosperous economy also softened social divisions and made the classic Marxist remedies expounded by the party seem less relevant. Failure to attract younger voters worsened election results in addition to leaving the party with an older and less educated membership. These threatening trends, combined with the SKP's participation in governing coalitions since 1966, brought to a head political disagreements between those in the party who supported the system of parliamentary democracy and those who were attached to a totalitarian Stalinist ideology. After 1969 the party was virtually split, although the formal break came only in 1986 following years of bitter dissension.

Through the 1970s and the first half of the 1980s, two factions, a majority reformist or revisionist wing, led first by Aarne Saari-nen (1966-82) and then by Arvo Aalto (1982-88), and a minority Stalinist wing, under Taisto Sinisalo, fought for party dominance. Each group had its own local and regional organization and its own newspaper—the moderates, *Kansan Uutiset* and the doctrinaire faction, *Tiedonantaja*. Both groups remained in the SKP largely at the insistence of the Communist Party of the Soviet Union (CPSU). The revisionists, sometimes characterized as Eurocommunists, took posts in cabinets, but the Stalinists, or “Taistos” as they are often called after the first name of their leader, refused to do so, preferring to remain ordinary members of the Eduskunta instead. To heal the rift, a third faction appeared in the early 1980s, and for a time one of its leaders, Jouko Kajanoja, was party chairman.

The 1984 election of Aalto to the party chairmanship marked the end of the attempted reconciliation, and in 1985 the revisionists began to purge the Stalinists, who late in the year named their faction the Committee of SKP Organizations. The revisionists resisted pressure for unity from the CPSU, and for this they were punished in late 1985 when the Soviets cancelled the highly profitable contract with the SKP to print *Sputnik*, an international magazine. The CPSU gave the contract to a printing firm controlled by the minority. The resulting financial losses meant that *Kansan Uutiset* could appear only five days a week.

In 1986 the split was formalized. Early in the year, the reformist group published a new program that stressed the importance of an independent, yet friendly, relationship with the communist parties of other nations. In April the Stalinists set up an electoral organization distinct from the SKDL, the Democratic Alternative (Demokraattinen Vaihtoehto—DEVA). In June the SKDL party group in the Eduskunta expelled the DEVA representatives from

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its ranks, and the latter then formed their own parliamentary group. Later in the year, the two factions set different party congress dates, further formalizing the split. In the 1987 election, the two groups competed with one another, and they had separate lists of candidates—the DEVA members led by the actress Kristiina Halkola and the SKP/SKDL led by Arvo Aalto. The Stalinists lost six of their ten seats in the Eduskunta, while the reformists lost one.

In the late 1980s, the two factions appeared more and more irrelevant as actors in Finnish politics. The reformists supported the democratic system, yet they attracted few new recruits. The Stalinists, opposed to the central values held by most Finns, split even further. In 1988 some of them formed a new party, the Finnish Communist Party-Unity (Suomen Kommunistinen Puolue-Yhtenäisyys—SKP-Y), and campaigned with DEVA in the local elections of the fall of that year. An even smaller number, claiming to represent the truest principles of communism, refused to join this new party and formed their own.

The Swedish People's Party

The abolition of the four-estate Diet and the introduction of universal suffrage in 1906 made it clear to the Swedish-speaking elite that its traditional domination of Finnish politics was at an end. The only chance to protect the rights of Swedish-speaking Finns was seen to lie in the formation of a party with a broader base that would unite all classes of the minority. For this reason the Swedish People's Party (Svenska Folkpartiet—SFP) was created in 1906. Composed of members from all classes, the party passed over economic questions to concentrate on preserving the existence of Swedish-speaking Finns as a cultural group.

Desires for local autonomy in the southern and western coastal areas, where Swedish Finns had lived for centuries and from which the party still drew its support in the late 1980s, were not met by the Constitution Act of 1919 (see fig. 12). The Swedish language was guaranteed the status of an official language, however, and it was given special protection in those areas in which it traditionally had been spoken. During the interwar decades when Swedish-speaking Finns were under serious pressure from the Agrarian Party and the National Coalition Party, the SFP allied itself with the SDP to protect minority rights, for though conservative in economic matters, the SFP was liberal on social questions. SDP compromises with the Agrarians in order to come to power in the Red-Earth governments of 1937 brought the Swedish minority some reverses, but the Finnicization program was not fully realized.

After the war, the language question was considered to be settled in a way generally satisfactory to most Swedish-speaking Finns. The SFP saw to it that the settlement of 400,000 refugees from Karelia did not upset the existing language balance in the areas where Swedish-speaking Finns made up a significant segment of the population. Relations between the SFP and the ML remained strained, however, because of the Agrarians' role in attempts at Finnicization.

The steady decline in the number of Swedish-speaking Finns was reflected in the size of the party's delegation in the Eduskunta. The Finnish electoral system favored parties with strongly localized support, however, and because of its position in the center of the political spectrum the SFP has been in most cabinets formed since the war. The virtual collapse of the Liberal People's Party (Liberaalinen Kansanpuolue—LKP) in the latter half of the 1970s brought the SFP some new votes, and in the 1983 and the 1987 elections, the party increased the number of its seats in the Eduskunta. Like the larger parties, the SFP has been affected by the general drift toward the center, and some of its right-wing members have left it for parties such as the POP.

Smaller Parties and the Greens

In addition to the four large parties discussed above, which among them enjoyed the support of about 80 percent of Finland's voters, and the SFP, which despite its small size had an almost permanent place in coalition governments, there were several other political parties that had a role in governing the country. One, the LKP, was a vestige of its former self; others, such as the Greens or the SMP were responses to trends seen elsewhere in recent decades in Western Europe.

The LKP is directly descended from the Young Finn Party, which after independence took the name National Progressive Party (Kansallinen Edistyspuolue—ED) and played a major role in Finland during the interwar period (see *The Era of Russification*, ch. 1). After World War II, this party declined in strength and was dissolved in 1951. Liberals subsequently formed two other parties that joined together in 1965 under the present name. Liberals in one party organization or another continued to participate in most governments until 1979. These liberals were proponents of business interests and the protection of private property, but they spoke also of the need for government planning and for social welfare programs. The LKP has steadily lost support to the other non-socialist parties, however. In the 1983 and the 1987 national elections, it failed to win any seats in the Eduskunta, and in the local

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elections of 1988 it lost more than a quarter of its representatives on municipal councils. In the late 1980s, the future of this once-important party was uncertain at best.

The SMP was founded in 1959 by the prominent and charismatic Kesk politician, Veikko Vennamo, who broke with Kekkonen for both political and personal reasons. The party, viewed for most of its life as rightist, has always campaigned as a protest party fighting for the interests of the "forgotten man," neglected or ignored by larger parties. This populist party first found support among small farmers, but it later received votes also from city dwellers who were keenly dissatisfied with mainstream politics. The SMP's support fluctuated wildly from election to election, and no safe estimate about its future was possible in the late 1980s. This was especially the case after its inclusion in governing coalitions. After considerable success in the 1983 election, it got two ministerial posts. It therefore competed in the 1987 election as a governing party, and it lost nearly half its seats in parliament. Equally bad results were obtained in the 1988 local elections. In addition, although led in recent years by the founder's son, Pekka Vennamo, the party was torn by dissension. With a single post in the government, even after the disastrous 1987 results, the SMP was in danger of losing its character as a protest party, the role which had brought it voter support.

The Finnish Christian League (Suomen Kristillinen Liitto—SKL) was founded in 1958 to bring Christian ideals into politics and to curb secularist trends. Its members generally belonged to the state church, yet they did not claim to act in its behalf but for Christian values in general. The party's support has fluctuated since it won its first seat in the Eduskunta in 1970. The SKL has never had a ministerial post, even in 1979 when it won ten parliamentary seats. Its share of votes declined sharply in the next national election, but rose again in 1987, and observers believed that a reliable base of support remained that was likely to ensure its continued existence.

An environmentalist group, the Greens was not an officially registered party during the first years of its existence, and it therefore received no government support for the 1983 and the 1987 national elections. It was organized in the early 1980s as an electoral association to work on a variety of quality-of-life issues and to contest elections on both the local and the national level. In 1983 the group won two seats in the Eduskunta, the first time an electoral association had managed such a feat. In the 1984 local elections, they doubled their support, and in the 1987 election they won four parliamentary seats.

The group's membership was heterogeneous with regard to both origins and aims. Activists were drawn from academia, the middle class, and the disabled, as well as from feminist and bohemian circles. This diversity was reflected in the multitude of members' goals, ranging from modest reforms to a utopian shutdown of industry and a return to subsistence farming. In mid-1988 part of the movement split off and formed a registered political party, the Green League (*Vihreä Liitto*). The Greens as a whole suffered a slight setback in the 1988 local elections. Given its internal dissension, the role the environmentalist movement was to play in governing Finland was likely to remain small.

Interest Groups

Interest group politics in Finland was managed primarily by the large market-sector organizations that represented labor and management. By the mid-1980s, about 85 percent of the work force, both blue-collar and white-collar, belonged to four labor federations encompassing about 100 labor unions. The largest and oldest was SAK, which united the approximately 1 million members, mainly blue-collar, of twenty-eight unions. SAK dated from 1907 and was close to the SDP, but it had within it several unions dominated by communists. The Confederation of Salaried Employees and Civil Servants (*Toimihenkilö- ja Virkamiesjärjestöjen Keskusliitto—TVK*) consisted of 14 unions with about 370,000 members who voted for a variety of left-wing and right-wing parties. The Central Organization of Professional Associations in Finland (*Akava*) was made up of 45 unions, in which 210,000 members—white-collar professionals—voted mainly for conservative parties. The Confederation of Technical Employees' Organizations in Finland (*Suomen Teknisten Toimihenkilöjärjestöjen Keskusliitto—STTK*) united 15 unions, in which 130,000 members—lower-level white-collar employees—split their votes among all parties. Representing the interests of farmers and close to the Kesk was the Confederation of Agricultural Producers (*Maataloustuottajain Keskusliitto—MTK*), with about 300,000 members. Representing industry and management were the Confederation of Finnish Employers (*Suomen Työnantajain Keskusliitto—STK*), made up of twenty-eight member organizations representing 6,000 firms, and the Confederation of Commerce Employers (*Liiketyönantajain Keskusliitto—LTK*) including nearly 7,000 firms; firms belonging to the STK and the LTK had some 800,000 employees in 1985.

These organizations could speak for the bulk of Finland's work

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force and business firms, and, since the first of a series of comprehensive incomes policy agreements was concluded in 1968, they had come to rival the government in determining how the country's affairs were to be managed. The settlements, arranged generally at two-year intervals, frequently involved not only wages and working conditions but also social welfare programs that required legislation for their realization. This obliged the governing coalition and the other parties represented in the Eduskunta to be fully apprised of the terms of the settlement.

The government itself provided officials to assist in the negotiations between labor and management. In 1971 it made permanent the post of special negotiator for incomes policy, and a year later it created a board within the prime minister's office to assist this official. On occasion, when negotiations have gone poorly, the prime minister or the president has intervened. The government also has facilitated the incomes agreements by providing expert advice on probable future economic conditions and on what the contending parties could reasonably demand. At appropriate times, leading officials and politicians have issued statements so that by the winter, when formal negotiations began, there was a broadly accepted economic framework within which these negotiations could take place.

Outside the wage agreement system, social groups, or interests, generally worked through the established parties to further their objectives through meetings, lobbying, and other means of voicing their concerns. To secure the support of some segments of the population, most political parties organized student, youth, and sports groups. Parties often devoted as much as one-third of their financial resources to their auxiliary and local branches.

Finnish women, like other groups, sought to further their interests mainly through the country's political and economic organizations. The parties took care that a good number of their leaders were women, and by the 1980s women made up about one-third of the Eduskunta. Women were represented in market-sector organizations according to their occupations. The women's movement was small; it did not play a significant role in Finnish political life, even though it had existed since the 1880s, when the first organization involved in women's rights was founded. The two main women's organizations active in Finland in the 1980s were the Feminist Union (*Naisasialiitto Unioni*), dating from 1892, and the informal collective, *Feminists (Feministit)*, founded in 1976. They were both apolitical, and their membership, though mainly from the educated middle class, contained some working-class women.

The Nordic committee system was a key forum in which Finnish interest groups, or concerned parties, made their views known

to the government. The system had long been used in the region to gather a range of opinions on public matters. It consisted of committees, both temporary ad hoc organs formed to deal with a single question and permanent statutory bodies created to handle broad issues, that were composed of experts and representatives of affected interests. Thus, advocates of labor and business, experts from local and national government, and, when appropriate, single-issue groups, could argue their cases. A committee report, if there was one, could be sent for review to concerned parties, and thereafter to a ministry, where its findings might figure in a government ordinance or in a legislative proposal.

The Presidential Election of 1982 and Koivisto's Presidency

A major change occurred in Finnish domestic politics in January 1982, when the social democratic politician, Mauno Koivisto, was elected president. He was the first member of the SDP to be elevated to the country's highest post, and his election meant the full integration of social democrats into Finnish public life and an end to the postwar dominance of Kesk.

Koivisto had been a leading public figure since the late 1960s, when he had served as prime minister for two years. During the 1970s, as governor of the Bank of Finland and, for a short time, as minister of finance, he had won the public's respect for the accuracy of his economic forecasts. His personality and considerable media astuteness also won him a very considerable personal popularity across party lines. Born in 1923 in Turku, the son of a carpenter, he fought bravely during World War II. After the war he returned to his native city, and through years of part-time study, earned a doctorate in sociology in 1956. He was active within the moderate wing of the SDP, yet did not seek an elective office. He began his banking career by directing a large employees' savings bank in Helsinki.

Summoned again in 1979 to serve as prime minister, Koivisto retained the public's esteem and became a strong potential candidate for the presidential election scheduled for 1984. Seen by Kesk politicians as a threat to their party's hold on the presidency after Kekkonen's inevitable retirement, Koivisto was pressured to resign in the spring of 1981. He refused, telling Kekkonen that he would continue as prime minister until a lack of parliamentary support for his government was shown. Koivisto's survival despite Kekkonen's challenge was seen by some observers as the end of an era in which the president had dominated Finnish public life.

In the fall of 1981, failing health forced Kekkonen to resign the presidency, and Koivisto assumed the duties of the office until the

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presidential election set for January 1982, two years ahead of schedule. He won handily, taking 43 percent of the votes—from the high turnout of 87 percent—and 145 of the electors. With the support of some electors pledged to the SKDL candidate, he won, with 167 ballots, in the first vote of the electoral college. His popularity remained high during his first term, and he easily won reelection in 1988.

In his years in office, Koivisto has adhered to the Paasikivi-Kekkonen Line, renewing in 1983 the FCMA treaty, for example. In addition, he has supported the traditional policy of neutrality, has spoken often of the danger of the arms race, and has encouraged international trade. One innovation he introduced was allowing greater policy roles to the Ministry of Foreign Affairs, the Eduskunta's Foreign Affairs Committee, and other institutions concerned with foreign policy.

On the domestic front, he has been more restrained than his predecessor. He has preferred to let day-to-day politics run its course, and he has tended to see the presidency as an office from which he could direct the nation's attention to long-term goals. At times, however, delphic presidential statements have confused the public about his intentions. On occasion, too, he has been harsh, berating the press for its irresponsible coverage of foreign policy issues, or striking down politicians he thought too meddlesome in international affairs. Overall, Koivisto's presidency has marked a coming of age for the Finnish polity, an emergence from the harsh tutelage of the Kekkonen years, and the increasing resemblance of Finnish political life to that of other successful Western democracies.

The Parliamentary Election of 1983

As is customary in Finland after a presidential election, the government resigned after Koivisto's victory in January 1982. It was re-formed the next month with the same four-party coalition (the SDP, Kesk, the SKDL, and the SFP) and many of the same ministers, with veteran SDP politician Kalevi Sorsa as prime minister. Two devaluations in October 1982, amounting to a 10 percent fall in the value of the Finnish mark, caused complaints by the SKDL that low-income groups were the main victims of this measure designed to enhance Finnish competitiveness abroad. The cabinet fell at the end of the year, when Sorsa dissolved it after the SKDL ministers refused to support a government defense proposal. Immediately asked by the president to form a new government, Sorsa did so, but with LKP participation and without the SKDL. The government's slender majority of 103 votes in the



*Mauno Koivisto, elected president of Finland in 1982 and re-elected
for a second six-year term in 1988
Courtesy Embassy of Finland, Washington*

Eduskunta was not an important handicap, for new elections were scheduled for March 1983.

The election was widely regarded as a "protest election" because, contrary to expectations, the major parties, with the exception of the SDP, did not do well. The LKP lost all its seats in the Eduskunta, while the SMP more than doubled its seats, and for the first time the Greens had representatives in the chamber as well. The SMP's success was credited, at least in part, to voter distaste for some mainstream parties because of political scandals; no significant policy differences emerged in the election campaign. Another reason for the SMP gains was the increasing role of "floating votes" not bound to any one party. The SDP won fifty-seven parliamentary seats, the greatest number since before the war and a result of Koivisto's election to the presidency.

Seven weeks of negotiations led to the formation of a four-party coalition composed of the old standbys, the SDP, Kesk, and the SFP, and, for the first time, because of its great success, the SMP. The protest party of the "forgotten man," the SMP was given the portfolios for taxation (second minister of finance) and for labor, with the aim of taming it through ministerial responsibility. Because the government, led by the SDP's Sorsa, had the support of only 122 votes out of 200, rather than the 134 needed to ensure the

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passage of much economic legislation, it might not have been expected to last long. It distinguished itself, however, by being the first cabinet since the war to serve out a full term. Its survival until the elections of March 1987 was an indication of a newly won stability in Finnish politics.

The Sorsa cabinet stressed the continuation of traditional Finnish foreign policy, the expansion of trade with the West to counter what some saw as too great dependence on Soviet trade, and the adoption of measures to reduce inflation (see *Role of Government*, ch. 3). The economic measures of the Sorsa government were stringent and fiscally conservative. Public awareness of the necessity of a small exporting nation's remaining competitive allowed the adoption of frugal policies. The 1984 biannual incomes policy arrangement was also modest in its scope. The rival demands for the one for 1986 were less so, however, and President Koivisto had to intervene to ease hard negotiations. One segment of the work force, civil servants, won a large pay increase for itself after a seven-week strike in the spring of 1986. The government also brought inflation down from the double-digit levels of the early 1980s, but it was less successful in lowering unemployment, which remained steady at about 7 percent.

Although the government was to be long-lived, it was not free of tensions. In January 1984, trouble erupted when its three nonsocialist parties made public a list of nine points on which they disagreed with the SDP. The issues were domestic in character, and they centered on such questions as the methods of calculation and payment for child-care allowances, the advisability of nuclear power plant construction, wage package negotiation methods, and financial measures to aid farmers and small businessmen. The storm caused by the document was calmed by the political skills of the prime minister and through a lessened adamancy on the part of Kesk.

Despite overall agreement on many major issues and the dominance of consensus politics in the governing of the country, the parties' struggle for power was nevertheless fierce. Attacks on the SDP by its coalition partner, Kesk, during 1986 were seen by some to stem from Kesk's desire for an opening to the right and for the eventual formation of a center-right government after the 1987 elections. The attacks, especially those of Foreign Minister Paavo Väyrynen, intensified in the late summer. The young Kesk leader particularly denounced Sorsa's handling of trade with the Soviet Union. Sorsa successfully counterattacked in the fall, which forced Väyrynen to stop his campaign.

The Parliamentary Election of 1987

The March 1987 elections moved the country somewhat to the right. It was uncertain how far, because the voter participation rate—at a comparatively low 75 percent, 5 percent lower than usual—hurt the left more than the right and had a varying impact. The KOK, for example, increased its percentage of the votes by only 1 percent and saw a tiny increase in absolute terms, yet it gained nine seats in the Eduskunta and almost caught up with the chamber's largest party, the SDP. The socialists' take dropped by 2.6 percent, with 100,000 fewer votes, yet they lost only one seat in the Eduskunta because of the way their votes were distributed across the country. Kesk garnered the same portion of the vote that it had in 1983, but it achieved a small increase in the actual number of votes and gained two new seats. The Greens, who had registered a significant gain in the communal elections of October 1984, got only two new representatives, far fewer than expected, for a total of four. The SKDL, electoral vehicle of the reformist SKP, lost a seat, while DEVA, controlled by the Stalinist Committee of SKP Organizations, lost six of the ten seats it had controlled since its representatives were expelled from the SKDL in June 1986. Weakened perhaps from its membership in the long-lived government, the SMP lost more than one-third of its support and almost half of its seats. Two of the small centrist parties did well: the SFP gained another seat, just as it had in 1983, and the SKL secured two more for a total of five.

Faced with these inconclusive results, negotiations about the shape of the new government got underway. After six weeks of talks and attempts to put together a completely nonsocialist government, a pathbreaking combination was formed that included conservatives and socialists in the Council of State, joined by the dependable and successful SFP and the battered and desperate SMP.

The new government, consisting of nine centrist and conservative and eight socialist ministers and headed by the KOK's Harri Holkeri, surprised some observers because a nonsocialist government was possible and seemed appropriate given the election results. The outcome angered others, who contended that Koivisto had misused presidential powers when he brokered a government that had his former party as a member despite its considerable electoral losses. Koivisto countered that he had behaved properly and had let the parties themselves argue out a workable combination.

One explanation for the unusual government was that animosity against the Kesk leader, Väyrynen, was so common in both the SDP and the KOK that neither party was willing to form a

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government with him. Thus, Kesk was deprived of its traditional "hinge" role. Another consideration was that the SDP and the KOK were not so much at odds with each other as socialist and conservative parties elsewhere might have been. Both parties had moved toward the center, and they were in agreement about most issues, especially about the need to reduce the agricultural subsidies that had always been defended by Kesk. The resulting "red-blue" government had as program objectives the preservation of the social welfare system, the improvement of Finland's competitive position in international trade, a fundamental reform of the tax system, and adherence to the Paasikivi-Kekkonen Line in foreign affairs. The SFP fit in easily with this program. The formerly rightist, but now moderate, SMP was included because it strengthened the government slightly and because it was likely to be dependable, because it had no other place to go. Koivisto informed the new government that it would not have to resign after the presidential election of 1988, and observers expected the cabinet to serve its full term until the 1991 parliamentary elections.

The Presidential Election of 1988

The presidential election held on January 31 and February 1, 1988, was the first to use the new procedures for choosing the nation's highest official (see Electoral System, this ch.). The contest's outcome, the re-election of Mauno Koivisto, surprised no one, yet he captured a smaller portion of the direct vote than expected—only 47.9 percent, rather than the 60 to 70 percent forecast by opinion polls during 1987. His failure to win more than half of the direct, or popular, vote of the 84 percent turnout meant that Koivisto could claim victory only after he had the support of a majority of the 301-member electoral college. This he achieved on the body's second ballot, when the votes of 45 of the 63 electors pledged to the KOK candidate, Prime Minister Harri Holkeri, were added to those of the 144 electors he had won on his own. Koivisto's inability to win the presidency directly was caused by an upsurge of support in the final weeks of the campaign for his stronger rivals, Kesk's Paavo Väyrynen and the KOK's Holkeri—who got 20.1 and 18.1 percent of the vote respectively, and Kalevi Kivistö, the candidate of voters linked to the SKDL and the Greens, who got 10.4 percent. The strong finish of Väyrynen and Kivistö was regarded by some as a vote against the KOK-SDP coalition formed after the March 1987 parliamentary election. The 1.4 percent garnered by the DEVA candidate, Jouko Kajanoja, indicated the marginal role that the Stalinist wing of the communist movement played in the country's political life.

The presidential campaign did not center, to any significant degree, on issues, but on the candidates themselves; Väyrynen and Holkeri both clearly wanted to position themselves well for the presidential election of 1994. Neither had any hope of defeating the ever-popular Koivisto in 1988, and it was widely assumed that he would not again seek reelection. Väyrynen was seen as the winner of this race for position, in that he had come from far behind in the polls, had easily beaten Koivisto in the northern provinces, had found good support elsewhere—except in the Helsinki area, and had cemented his leadership role in his own party. His strong party base and his ability to attract conservatives dissatisfied with their party's alliance with the socialists, combined with his extensive ministerial experience, made the relatively young Väyrynen Finland's foremost opposition politician. His strong finish, and the lack of any SDP politician of Koivisto's personal stature and popularity, guaranteed Kesk continued significance in the country's political life even when in opposition, and were perhaps signs that the dominance of post-industrial southern Finland over the country as a whole might only be temporary.

Mass Media

Finland's first newspaper, the Swedish-language *Tidningar Utgifne Af Et Sällskap i Åbo*, was established in 1771 in Turku. A Finnish-language journal, *Suomenkieliset Tieto-Sanomat*, was created in the same town in 1775. Neither paper survived long, however, and it was not until the next century that regularly published newspapers appeared in Finland. Still in existence today are *Åbo Underrättelser*, founded in Turku in 1824, and *Uusi Suomi*, launched in Helsinki in 1847 (see table 21, Appendix A).

The latter half of the nineteenth century saw the appearance of many newspapers. All the political parties formed in these years and in the early twentieth century had their own newspapers, and, as a result, most Finnish papers were partisan until after World War II. After independence in 1917, there was another upsurge in the number of newspapers published; a high point, never since surpassed, was reached in 1930 when Finns could choose from 123 newspapers, each published at least three times a week. By 1985 there were ninety-eight such papers, a figure that has remained fairly constant since the early 1960s. Total circulation of papers of this type, twelve of which were in Swedish, amounted to about three million by the mid-1980s. In addition, there were about 160 papers that appeared once or twice a week. One United Nations (UN) study ranked Finland fourth in the world for per capita circulation, and surveys have found that over 90 percent of Finns

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read papers regularly, 60 percent of Finns viewing them as the most useful source of information.

Finns preferred to have their papers delivered to their homes in the early morning, and for this reason there were only two evening papers in the country, *Ilta-Sanomat* and *Ilta-lehti*, both printed in Helsinki. Another reason for low newsstand sales in Finland was that no taxes were levied on newspapers and magazines received via subscription.

Most localities were served by only one newspaper, but by the mid-1980s Helsinki had about a dozen, and its newspapers, which constituted only one-eighth of the country's total, accounted for one-third of national circulation. Seven of the Helsinki papers were among the twelve largest Finnish papers. Although many of Finland's papers were published in Helsinki, there was little concentration of press ownership, and there were no dominant newspaper chains, with the possible exception of the firm Sanoma that owned the two papers with the largest circulation, *Helsingin Sanomat* and *Ilta-Sanomat*.

In contrast to the other Nordic countries, the number of newspapers in Finland has remained fairly constant, and there was even a slight upturn in the 1980s. This steadiness was caused, at least partly, by the government program of general and selective support. General support was intended for the press as a whole, magazines included; it involved not taxing subscriptions and essential materials, such as newsprint, and arranging for low postal rates. Selective support, designed to guarantee the survival of the party press, consisted of partial subsidies for distribution and telecommunications costs and direct lump-sum payments to papers in accordance with the number of representatives their parties had in the Eduskunta.

Despite these efforts to encourage a varied party press, the number of independent papers rose sharply after World War II, increasing from 38 percent in 1962 to 64 percent in 1985. The number of nonsocialist party papers decreased most, but papers of this type still had more than twice the circulation of socialist papers.

Most Finnish newspapers were served by the country's principal news agency, the Finnish News Agency (Suomen Tietotoimisto—STT), which was owned by the leading newspapers and the state-run Finnish Broadcasting Company (Yleisradio—YLE). STT was connected to many of the world's news agencies, and it had an extensive network of domestic correspondents. Some newspapers, however, had direct contacts with foreign news agencies. There were also agencies, run by political parties, that supplied subscribers with political news and articles. Agencies of this type were

Kesk's Uutiskeskus (UK), the KOK's Lehdistön Sanomapalvelu (LSP), the SDP's Työväen Sanomalehtien Tietotoimisto (TST), the SKDL's Demokraattinen Lehtipalvelu (DLP), and the SFP's Svensk Presstjänst (SPT).

By the mid-1980s, there were about 1,200 magazines being published regularly, printing a total of about 20 million copies a year. The most popular subscription magazine in the mid-1980s was *Me*, published biweekly in Helsinki for Finnish consumer societies, followed by the Finnish version of *Reader's Digest* and by numerous family and general interest magazines. The magazines with the largest printings were those distributed free at banks, retail stores, and other businesses.

Subscription magazines, like newspapers, enjoyed general support from the government in the form of lower taxes and postal rates. In the late 1970s, selective government support was introduced to assist those magazines which, without the aim of financial gain, sought to inform the public about cultural, scientific, religious, and social concerns. By the mid-1980s, several dozen of these so-called "magazines of opinion" were receiving state aid.

Finland's state radio and television company, the YLE, was founded in 1926, and it began television broadcasting in 1958. It was a stock company, with 99.2 percent of its stock owned by the government and the remainder owned by fifty-seven stockholders. As a stock company, it was independent of the state budget. It did not monopolize the airwaves, but sold a portion of its broadcasting time, a maximum of 18 percent, to a private television company, Mainos-TV-Reklam (MTV). This arrangement had been in effect since 1958, when the YLE first began television transmissions. Beginning in 1973, Finland also had cable television, centered in the major urban areas, which by the mid-1980s reached about 100,000 homes. It was expected that Finns and the residents of the other Nordic countries would be able to see each other's television broadcasts via satellite sometime in the early 1990s.

In the mid-1980s, the YLE employed nearly 5,000 persons; each year it broadcast about 5,000 hours of television programming—1,000 hours of which was rented by MTV. Since late 1986, the YLE's television division has consisted of three channels (TV 1, TV 2, and TV 3). The YLE produced about 1,400 hours of television itself; the remaining time was filled by programs purchased abroad. Swedish-language programming amounted to a little more than 500 hours, about 60 percent of which appeared on TV 1.

In the mid-1980s, about 20 percent of television broadcast time was devoted to news and current events, another 20 percent to

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documentaries, the same amount again to sports and light entertainment, 16 percent to television serials, and 12 percent to films. Imported programs were shown in their original languages with subtitles. The YLE had coproduction arrangements with many foreign companies, mainly those of Eastern Europe, Western Europe, and the United States. Finns, 81 percent of them on a daily basis, watched an average of two hours of television a day; 28 percent held it to be their most important source of information.

The YLE's radio division broadcast about 21,000 hours annually and consisted of three sections—Network 1, Network 2, and the Swedish Program. Network 2 broadcast around the clock. The other two stations broadcast from early in the morning until around midnight. Somewhat under half of these radio programs were broadcast on a regional or local level from the company's nine local stations, eight of which sent Finnish-language programming. About 20 percent of radio programming was devoted to news and current events, another 20 percent to general cultural and public service programs, and 40 percent to all varieties of music. In addition to its national broadcasts, each year the company transmitted about 13,500 hours—in Finnish and in other languages—to listeners, abroad. Private radio stations first appeared in 1985, and they existed in a score of municipalities by the late 1980s. Finns listened to the radio an average of two hours daily, and 70 percent of them listened every day. Twenty-three percent of the population held the medium to be their most important source of information.

The YLE, having been granted its broadcasting concession by the government, was obliged to present programming that was "factual and fair," provided wholesome entertainment, strengthened popular education, and infringed on no one's rights. A committee, appointed in 1979 to study new legislation for radio and television broadcasting, concluded in 1984 that the YLE's programs should be marked by truthfulness, pluralism, and relevance to the lives of the viewers, and that it should further the basic rights and values of the country's citizens. The Administrative Council, the members of which were appointed by the Eduskunta in accordance with each party's parliamentary strength, was responsible for realizing these objectives. Three program councils, the members of which were appointed by the Administrative Council and according to the political composition of the Eduskunta, were involved in deciding what was to be broadcast. The upper management of the YLE was also somewhat politicized in the belief that this would help to guarantee that all viewpoints were adequately aired during broadcasting time. MTV's programming, including the news broadcasts that it began in 1981, was also supervised by the councils. This

system of control, while occasionally subject to heavy-handed lapses of judgement, was generally conceded to have brought about programming that broadly mirrored the country's political culture as a whole.

Article 10 of the Constitution Act of 1919 guarantees freedom of speech and "the right of printing and publishing writing and pictorial presentations without prior interference by anyone." International surveys of Finnish journalism have found it to be of a high standard and wholly comparable with that of other Western nations. The desire for a press reflecting all currents of Finnish political life has been given concrete expression in government financial support for political newspapers and journals of opinion. Legislation from 1966 protected the confidentiality of sources, in that it allowed journalists to refuse to reveal the identity of sources unless such disclosure would solve a serious crime, i.e., one calling for a sentence of six or more years. In 1971 this protection was extended to television journalists as well.

Information was readily available in Finland. Ten major publishing firms, two of them specializing in Swedish-language books, and numerous smaller houses published some 8,000 new titles each year. This was an extraordinary figure for a small country, especially one the languages of which were not widely known abroad. Finns were able to buy books published anywhere in the world, and local firms that published the *samizdat*, or underground, literature from the Soviet Union allowed Finns to be well acquainted with the opposition groups of their eastern neighbor.

According to the distinguished Finnish journalist and former diplomat, Max Jakobson, Finnish journalism did not possess an adversarial spirit and a tradition of aggressive reporting to the same degree as the American press. Also on occasion it was noted that the politicization of YLE broadcasting meant that television journalists sometimes remembered the political party from which they came better than they did their duty to inform the public objectively. In consonance with the tone of Finnish foreign policy, press and television criticism of the superpowers' foreign policies was muted to some degree. Finnish press discussions of the failures of the Soviet Union could be frank, but they were couched in gentler tones than was true in some other countries.

A reminder of the sensitive years just after World War II, when Finland's survival as an independent nation was not assured, was a 1948 addition to the Penal Code that threatened a prison term of up to two years for anyone who damaged Finnish relations with a foreign power by means of defamatory journalism. Serious as

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this penalty appeared, only the president could decide if a journalist seen guilty of such defamation should be prosecuted. Although not applied for decades, the clause continued to be an embarrassment for Finns. Government officials, when called upon to comment on the clause, stressed the value of a free press and the lack of censorship, noted Finland's good relations with all countries, acknowledged that there had been in the past some "self-censorship" of the press with regard to the Soviet Union, but pointed out that the clause had not been applied for decades. Since World War II, leading Finnish politicians have also occasionally exhorted the press to be more responsible in its reporting on foreign policy issues; there were several such calls by Koivisto in his first years in office. Such political tutelage was by the mid-1980s, however, no longer viewed as appropriate for a modern democratic state.

Finnish media were also subject to some popular controls. The Press Law of 1919 gave the right of correction to anyone who held that material printed about him in a periodical was incorrect or offensive. The publication was obliged to grant the injured party an equal amount of space within two days after receipt of the statement. Failure to do so could result in a fine. Finns could also turn to the Council for Mass Media (Julkisen Sanan Neuvosto—JSN), which was founded in 1968 to promote journalistic ethics. This body examined each complaint submitted to it and decided on its merits. Between 1969 and 1978, the council received several hundred queries; it found about a quarter of them justified and recommended to the criticized journal or station that it issue an unedited rejoinder from the injured party.

Films were subject to censorship in Finland according to a law from 1965 that had been enacted by the elaborate procedure required for legislation seen as being an exception to the Constitution. In this case, there was an exceptional curtailment of the constitutional right of freedom of information. The law dealt only with films shown for commercial purposes, and it forbade those that offended good morals, were brutalizing or injurious to mental health, endangered public order and the nation's defense, or harmed Finland's relations with other countries. The Film Censorship Board was set up to administer the law, and its decisions could be appealed up to the Supreme Administrative Court. Of 2,688 films reviewed between 1972 and 1983, some 227 were forbidden in their entirety. Of these, nearly all were rejected for reasons of morality or potential danger to mental health, and 2 percent because they could hurt Finland's external relations. The most noted of these films was the British-Norwegian coproduction, "One Day

in the Life of Ivan Denisovich," based on the eponymous novel by Aleksandr Solzhenitsyn. Several films from the German Democratic Republic (East Germany) were banned after having been judged potentially offensive to the Federal Republic of Germany (West Germany).

Foreign Relations

Finnish foreign policy is aimed at preserving the nation's political and territorial integrity and safeguarding the continuity of its national existence. Geographical reality—having the Soviet Union as a neighbor, and defeat in World War II led Finland to adopt a postwar national security policy of maintaining its freedom of action by dissociating itself from the conflicts of major powers. The main feature of contemporary Finnish policy, therefore, is neutrality. As the official political doctrine, nonalignment has helped in the establishment of friendly relations with other countries regardless of their political systems.

Within the framework of Finnish neutrality, there are three important policy orientations: a special relationship with the Soviet Union; a traditional policy of close collaboration with the other Nordic countries—Sweden, Norway, Denmark, and Iceland; and an active policy as a member of the UN.

Neutrality

Finland, independent only since 1917, does not have a long tradition of neutrality. In the interwar period, it declared itself neutral, but its foreign policy was not neutral enough to satisfy the security concerns of the Soviet Union, and Finland was drawn into World War II. The years immediately after the war were taken up by the country's struggle to survive as an independent nation. The treaties of 1947 and 1948, which confirmed the existence of a Soviet military base on Finnish territory and created a defensive alliance with the Soviet Union, seemed to preclude Finnish neutrality (see *The Cold War and the Treaty of 1948*, ch. 1).

The Treaty of Friendship, Cooperation, and Mutual Assistance (FCMA) of 1948 mentioned in its preamble, however, Finland's desire to remain outside the conflicts of the great powers and to maintain peace in accordance with the principles of the UN. A first example of the Finnish policy of avoiding entanglements in superpower disputes was the decision in early 1948 not to participate in the European Recovery Program, also known as the Marshall Plan. Finnish rejection of the much-needed aid was caused by Soviet contentions that the program was an effort on the part of the United States to divide Europe into two camps.

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In the late 1940s, Finland joined the General Agreement on Tariffs and Trade (GATT—see Glossary) and the World Bank (see Glossary), participating in their economic programs, but avoiding any political implications of membership that could be seen by the Soviets to link the country to the West. Finland also stayed out of the discussions of the period about the formation of a Nordic defense union.

During these early years after World War II, there were few official Finnish statements about neutrality, but in a speech in 1952 Prime Minister Kekkonen held that the FCMA treaty presupposed a kind of neutrality for his country. In 1955 a major impediment to Finnish neutrality was removed by the closing of the Soviet military base located near Helsinki, and in the following years leading Soviet officials praised the neutrality of their neighbor. In 1955, too, Finland was able to join the UN and the Nordic Council, acts that reduced its isolation and brought it more fully into the community of nations.

By the early 1960s, Finnish neutrality was recognized by both the West and the East, and the country entered a more confident period of international relations when it began practicing what came to be officially termed an active and peaceful policy of neutrality. Finland participated in local and in global initiatives aimed at creating conditions that allowed nations to avoid violence in their relations with one another. As President Kekkonen noted in 1965 in an often-quoted speech, Finland could “only maintain its neutrality on the condition that peace is preserved in Europe.”

An essential element of Finland's active neutrality policy was the concept of a Nordic Nuclear-Weapons-Free Zone (Nordic NWFZ), first introduced by Kekkonen in May 1963 against the background of a Europe increasingly armed with nuclear weapons. The Finnish president proposed the creation of a zone consisting of Finland, Sweden, Norway, Denmark, and Iceland. Their *de facto* nuclear-weapons-free status was to be formalized by the creation of a Nordic NWFZ that would remove them somewhat from the strategic plans of the superpowers. The zone idea was based on the supposition that, as these countries had no nuclear weapons in their territories, they might avoid nuclear attacks from either of the two alliances, whereas the presence of nuclear weapons would certainly invite such attacks.

The Nordic NWFZ idea was not realized at the time it was initially proposed. A major impediment was the membership of Denmark and Norway in the North Atlantic Treaty Organization (NATO) and hence their pledge to consider the deployment of nuclear weapons on their territories in a time of crisis. Despite its



*President Koivisto with President Ronald Reagan at the White House,
September 1983*

Courtesy The White House (Pete Souza)

lack of success, the zone proposal remained part of Finnish foreign policy, and in 1978 it was reintroduced in an altered form in the light of new developments in weapons technology. In Kekkonen's opinion, the cruise missile made the use of nuclear weapons in war more likely. His new Nordic NWFZ proposal contained the concept of a negative security guarantee, according to which the superpowers would bind themselves to refrain from attacking with nuclear weapons those countries belonging to the zone.

The zone proposal has since become a permanent part of security discussions in Nordic Europe, with support from a variety of quarters. President Koivisto declared his firm support for the zone proposal in a speech at the UN in 1983, and in 1985 a Nordic parliamentary group convened in Copenhagen to discuss the idea and to set up a commission to study it.

In addition to the problem of Danish and Norwegian membership in the Atlantic Alliance, other problems continued to prevent the zone's realization. A central question was how, and to what extent, the Baltic and Barents seas and the adjacent areas of the Soviet Union would be included. The Soviet Union, the only power of northern Europe that had nuclear weapons in its arsenal, always welcomed the zone proposal but left its participation in the zone uncertain. Finnish officials seemed content to hold continued talks

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about the zone. Foreign affairs specialists occasionally commented that Helsinki was more interested in using discussion of a Nordic NWFZ as a means of emphasizing the existing stability of northern Europe than in the realization of such a zone.

Another core element of Finland's active policy of neutrality was the country's participation in arms control and disarmament initiatives. In 1963 Finland signed the Nuclear Test Ban Treaty, prohibiting nuclear testing underwater, above ground, and in outer space; and in 1968 it approved the Treaty on the Non-Proliferation of Nuclear Weapons. It was the first country to form an agreement with the International Atomic Energy Agency concerning the peaceful use of nuclear power. In 1971 Finland signed the treaty banning the placement of nuclear weapons on the world's seabed, and in 1975 it joined in the prohibition of the development, production, and stockpiling of biological weapons. Since the early 1970s, Finnish scientists have been developing technology for the detection of chemical weapons, and since the mid-1970s, they have been engaged in perfecting a global seismic verification station system.

Helsinki was the site for some of the Strategic Arms Limitation Talks (SALT), and in 1973 and 1975 Finland was the driving force behind the Conference on Security and Cooperation in Europe (CSCE) and the host of its first and third meetings. The signing of the Final Act of the CSCE in Helsinki in 1975 was the high point of the country's policy of active neutrality. The signed document recognized the legitimacy of neutrality as a foreign policy, a point demonstrated by Finland's hosting the conference. The country has continued to work as a member of the neutral and nonaligned group at later CSCE meetings, where the emphasis has been on the formation of confidence-building and security-building measures (CSBM). The fourth CSCE meeting was scheduled to take place in Helsinki in the spring of 1992.

Soviet Union

Two hard-fought wars, ending in defeat and in the loss of about one-tenth of Finland's land area, convinced some leading Finnish politicians by the end of World War II that the interwar policy of neutral distance from the Soviet Union had been mistaken and must be abandoned if the country were to survive as an independent nation (see *The Cold War and the Treaty of 1948*, ch. 1). Juho Paasikivi, Finland's most prominent conservative politician and its president from 1946 to 1956, came to believe that Finnish foreign policy must center on convincing Soviet leaders that his country accepted, as legitimate, Soviet desires for a secure northwestern

border and that there was no reason to fear an attack from, or through, Finland.

The preliminary peace treaty of 1944, which ended the Continuation War, and the Treaty of Paris of 1947, which regulated the size and the quality of Finland's armed forces, served to provide the Soviets with a strategically secure area for the protection of Leningrad and Murmansk. The deterioration of superpower relations, however, led the Soviets to desire a firmer border with the gradually emerging Western bloc. In February 1948, Finnish authorities were notified by Soviet officials that Finland should sign a mutual assistance treaty with the Soviet Union.

The treaty that Finnish and Soviet negotiators worked out and signed in April 1948 differed from those the Soviets had concluded with Hungary and Romania. Unlike those countries, Finland was not made part of the Soviet military alliance, but was obliged only to defend its own territory if attacked by Germany or by countries allied with that country, or if the Soviet Union were attacked by these powers through Finnish territory. In addition, consultations between Finland and the Soviet Union were required if the threat of such an attack were established. According to the FCMA treaty, Finland was not bound to aid the Soviet Union if that country were attacked elsewhere, and the consultations were to be between sovereign states, not between military allies. Just what constituted a military threat was not specified, but the right of the Finns to discuss the posited threat and how it should be met, that is, to what extent military assistance would be required, allowed Finnish officials room for maneuver and deprived the treaty of an automatic character.

Since its signing, the treaty has continued to be the cornerstone of Finnish relations with the Soviet Union; that both found it satisfactory was seen in its renewal and extension in 1955, 1970, and 1983. For the Soviet Union, the FCMA treaty meant greater security for the strategically vital areas of Leningrad and the Kola Peninsula. Any attack on these areas through Finland would meet first with Finnish resistance, which many observers believed would slow an offensive appreciably. The prohibition of Finnish membership in an alliance directed against the Soviet Union meant hostile forces could not be stationed within Finland, close to vital Soviet installations.

Finland's neutral status had an effect on the Nordic area as a whole. Its special relationship with the Soviet Union reduced pressure on Sweden and eased that country's burden of maintaining its traditional neutrality. The consequent lowering of tensions in the region allowed Norway and Denmark NATO membership,

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although each of these countries established certain restrictions on the stationing of foreign troops and the deployment of nuclear weapons on their soil. The interdependence of security postures in northern Europe, sometimes referred to as the Nordic Balance, has removed the region somewhat from the vagaries of the Cold War over the last few decades. The Soviets have closely monitored developments in the area, but their basic satisfaction with the security situation that has prevailed there has allowed Finland to survive as an independent country, bound to some degree to the Soviet Union in defense matters, but able to maintain its democratic institutions and its membership in the Western community of nations.

During the years immediately following the signing of the FCMA treaty, the Finns complied with their obligation to pay reparations to the Soviet Union; the last payment was made in 1952. The preceding year the two countries had signed a treaty setting up trade between them on the basis of a barter arrangement, which has been renewed every five years since then. In 1954 Finland became the first capitalist country to sign a scientific and technical agreement with the Soviet Union.

Despite the provisions of Article 6 of the FCMA treaty, which enjoined each contracting party from interfering in the domestic affairs of the other, Soviet comments on Finnish domestic politics were often quite harsh. Soviet attitudes toward Finland softened, however, with the death of Joseph Stalin and the advent of better relations with the Western powers in the mid-1950s; consequently, no objections were raised to the 1955 decisions to admit Finland to the Nordic Council and to the UN (see Nordic Europe, this ch.). Late in the same year, the Soviets gave up their base at Porkkala in exchange for an extension of the FCMA treaty, due to expire several years after Paasikivi's scheduled retirement in 1956. Soviet uncertainty about the conduct of his successor made Moscow anxious for the treaty's renewal.

The departure of Soviet troops from Finnish territory removed an obstacle to Finland's full sovereignty and to its achievement of neutrality. In 1956 Nikita Khrushchev, first secretary of the Communist Party of the Soviet Union (CPSU), spoke for the first time of Finnish neutrality. Soviet tributes to Finland's neutrality and nonaligned status grew common in the next few years.

Finnish-Soviet relations were shaken by two crises—the Night Frost Crisis of 1958–59 and the more serious Note Crisis of 1961 (see Domestic Developments and Foreign Politics, 1948–66, ch. 1). The Note Crisis was a watershed in Finnish-Soviet relations in that Kekkonen, whose successful resolution of the crisis made

him the virtual master of Finnish foreign policy, and others realized that in the future Finnish foreign policy ought to be formulated only after its effects on Soviet interests had been carefully weighed. Another effect of the crisis was that it led to the inauguration of a policy of active and peaceful neutrality (see *Neutrality*, this ch.).

Finnish-Soviet relations since the Note Crisis have been stable and unmarked by any serious disagreements. Trade between the two countries has remained steady since the 1951 barter agreement. In 1967 Finland became the first Western country to set up a permanent intergovernmental commission with the Soviet Union for economic cooperation. A treaty on economic, technical, and industrial cooperation followed in 1971, as did a long-term agreement on trade and cooperation in 1977 that, in 1987, was extended to be in effect until the turn of the century. The first joint venture agreements between Finnish and Soviet firms were also arranged in 1987. In 1973 Finland was the first capitalist country to cooperate closely with the Council for Mutual Economic Assistance (CMEA, CEMA, or Comecon—see Glossary) (see *Regional Economic Integration*, ch. 3).

The Soviet Union has carefully monitored Finland's adherence to the FCMA treaty, and Finland's awareness of this scrutiny has influenced Finnish policy. For example, Finland refrained from full membership in the European Free Trade Association (EFTA) and instead joined the body through an associate membership in 1961. The entry into a free-trade relationship with the European Economic Community (EEC—see Glossary) in 1973 occurred only through a carefully orchestrated preliminary plan that included formal links with Comecon and a special re-election of Kekkonen in 1974 to assure the Soviets of continuity in Finnish foreign policy.

Since the Note Crisis, Soviet interference in Finnish domestic concerns has been limited to occasional critical comments in the Soviet press and from official spokesmen. Clarification about Soviet policy toward Finland could be obtained from Soviet officials themselves, or from articles published in authoritative newspapers or journals. Since the 1970s, a frequent source of enlightenment about the Kremlin's attitudes toward Finland, and about Nordic Europe in general, were articles written under the name of Komissarov, many of which were commonly believed to have been written by Iurii Deriabin, a well-placed and knowledgeable Soviet specialist on Finnish affairs. As valued indicators of Soviet attitudes, the articles were examined line by line in Finland. Komissarov articles, for example, disabused Finnish foreign affairs specialists of the notion, which they had entertained for a time, that Finland had the

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right to determine on its own whether consultations according to Article 2 of the FCMA treaty were necessary. A Komissarov article that appeared in January 1984 in a Helsinki newspaper expressed the disquieting Soviet view that the passage of cruise missiles through Finnish airspace might conceivably mean the need for consultations.

Two examples may indicate the restraint exercised by the Soviets in their dealings with Finnish affairs since the early 1960s. In 1971 the Soviet ambassador was recalled from Helsinki after he had become involved in the internal feuds of the Communist Party of Finland (Suomen Kommunistinen Puolue—SKP). A suggestion in 1978 by a Finnish communist newspaper, which was repeated by the Soviet chief of staff General Dmitri Ustinov, that Finnish military forces should hold joint maneuvers with Soviet forces was quickly dismissed by Finnish officials as incompatible with their country's neutrality; there was no Soviet rejoinder.

Finnish foreign policy vis-à-vis the Soviet Union enjoyed widespread support from the Finnish people. Polls in the 1980s consistently measured an approval rate of over 90 percent. Another proof of the acceptance of the Paasikivi-Kekkonen Line was that foreign policy played virtually no part in the parliamentary elections of 1983 and 1987. From the Soviet side, comments on these elections were neutral, with no hints of preferred victors.

Nordic Europe

Finland is an integral part of Nordic Europe. With the exception of a small Swedish-speaking minority, the country is ethnically distinct from the Scandinavian countries, but the 700 years that Finland was part of Sweden gave it a Nordic inheritance that survived the century during which Finland was an autonomous state within the Russian Empire. During the interwar period, it entered into numerous agreements with the other states of Nordic Europe. After World War II, relations resumed, but with caution owing to the tensions of the Cold War. Finland could undertake no initiatives in international relations that might cause the Soviet Union to suspect that Finland was being drawn into the Western camp.

The gradual relaxation of superpower tensions meant that in 1955 Finland could join the Nordic Council, three years after its foundation. The Nordic Council was an organization conceived to further cooperation among Norway, Sweden, Denmark, and Iceland. Meeting once a year for a week in one of the capitals of the member countries, the council was an advisory body, the decisions of which were not binding; it did carry considerable weight, however,

as the delegates at the annual meetings were frequently leading politicians of the countries they represented. At the insistence of Finland, security matters were not to be discussed, and attention was directed rather to economic, social, and cultural issues. Unlike the European Community (EC—see Glossary), the Nordic Council was not a supranational organization, and membership in the council did not affect Finland's status as a neutral nation.

The Treaty of Helsinki of 1962 gave birth to the Nordic Convention on Cooperation, which defined the achievements and goals of the regional policy of increased interaction. This agreement was followed by the formation in 1971 of the Nordic Council of Ministers, which instituted a formal structure for frequent meetings of the region's cabinet ministers. The issue at hand determined which ministers would attend. In addition to these larger bodies, numerous smaller entities existed to further Nordic cooperation. A study of the second half of the 1970s found more than 100 such organizations. The efforts of these bodies and the many formal and informal meetings of Nordic politicians and civil servants stopped short of full integration, but they yielded numerous agreements that brought Finland and the other Nordic countries closer together. This so-called "cobweb integration" has given the citizens of Nordic Europe many reciprocal rights in one another's countries. Finns were able to travel freely without passports throughout Nordic Europe, live and work there without restrictions, enjoy the full social and health benefits of each country, and since 1976, vote in local elections after a legal residence of two years. Citizenship in another of the Nordic countries could be acquired more easily by a Finn than by someone from outside the region.

Economic cooperation did not proceed so smoothly. Nordic hopes, in the mid-1950s, of establishing a common market were disappointed, and EFTA was accepted as a substitute. An attempt in 1969 to form a Nordic customs union, the Nordic Economic Union (NORDEK), foundered when Finland withdrew from the plan. The withdrawal may have been caused by Soviet concerns that Finland could be brought into too close a relationship with the EEC via Denmark's expected membership in the Community. This setback was mitigated, however, when the Nordic Investment Bank began operations in 1976 in Helsinki. The bank's purpose was to invest in financial ventures in the Nordic region.

In the second half of the 1980s, Finland continued working with its Scandinavian neighbors, being a part, for example, of the Nordic bloc in the UN and participating in Nordic Third World development projects. Finland's Nordic NWFZ proposal was being studied and furthered by an inter-Nordic parliamentary committee,

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and Finland was always present at the semiannual meeting of Nordic foreign ministers.

Western Europe

Finland had to adjust its foreign policy after World War II to the changed international environment; however, it continued to enjoy good relations with West European countries, particularly in the field of economic cooperation. The country joined economic projects such as GATT and the International Monetary Fund (IMF—see Glossary), but, wary of arousing Soviet apprehensions about potential political ties to the West, did not seek membership in the Organisation for European Economic Co-operation (OEEC). Through a clever device, however, Finland did manage to participate in the trade benefits provided by the OEEC's European Payments Union: in 1957 Finland formed its own body, the Helsinki Club, which was subsequently joined by all OEEC countries. In 1961, for imperative economic reasons, Finland worked out a special relationship with EFTA after complex negotiations. Finland's relationship, an associate membership in the body, became feasible after the Soviet Union agreed that it was compatible with the Finnish policy of neutrality and after tariff arrangements ensured the continuity of Finnish-Soviet economic cooperation. A more stable world meant that in 1969 Finland was able to join the OEEC's successor, the Organisation for Economic Co-operation and Development (OECD). In 1973 Helsinki, in a balancing effort, signed agreements with both the EEC and Comecon and was given a special status with both organizations.

Another subtle act of diplomatic balancing was Finnish treatment of the thorny question of what kind of relations it should have with the two German states. To recognize either would antagonize one of the superpowers. The Finnish solution was to establish two separate trade missions, one in each of the Germanies. This arrangement allowed diplomatic relations and alienated no one. Once the two German states recognized each other in 1972, Finland was able to establish normal diplomatic relations with each of them.

The years since the early 1970s have seen a steady normalization of Finland's relations with Western Europe. In the 1980s, Finnish trade with the region accounted for about 60 percent of its exports; the country participated in European economic and research endeavors like Eureka and the European Space Agency (ESA); and 1986 saw full Finnish membership in EFTA. In addition, by the end of 1988 all obstacles appeared cleared for Finland's

membership in the Council of Europe (see Glossary) the following year.

The increasing integration of the EC, however, presented problems for Finland and for EFTA's other neutral states. The supranational character of the EC, which was always incompatible with Finnish neutrality, became even more so with the signing in 1985 of the EC's Single European Act. The act aimed at foreign policy cooperation among members, and it therefore made Finnish membership in the EC inconceivable. Exclusion from the EC, however, could threaten Finland's export-based economy if the "internal market" that the EC hoped to have in place by 1992 led to trade barriers directed against nations outside the Community. The late 1980s and the early 1990s were certain to be a time of intensive Finnish discussion on how this challenge was to be met.

United States

The United States recognized Finland as an independent state in 1919. In that year, the United States assisted Finland with deliveries of food through an organization led by Herbert Hoover. Since then assistance has been in the form of loans, all of which have been repaid. This has contributed to the development of friendly relations between the countries. The American public expressed great sympathy for Finland during the Winter War, and, although the United States ambassador was recalled in June 1944 after Finland's decision to continue the war against the Soviet Union, the United States did not declare war on Finland (see *The Winter War*, ch. 1). In the postwar period, Finnish-American relations have been exceedingly cordial. Even though political considerations did not allow Finland to participate in the Marshall Plan after World War II, in the immediate postwar years, Finland received about US\$200 million in credits from the United States to help rebuild its industrial base.

Both Kekkonen and Koivisto paid state visits to the United States, and United States presidents have occasionally expressed their support for Finnish neutrality. In early 1983, however, the supreme commander of NATO forces in Europe, United States general Bernard Rogers, expressed uncertainty about the Finns' desire to defend themselves. His press conference remarks caused much consternation in Finland. Other military officials have since praised Finland's defense readiness; among them was United States admiral William Crowe, who paid Finland an official visit in 1986 as chairman of the Joint Chiefs of Staff.

United Nations and the Third World

Because Finland had fought with the Axis powers during World

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War II, it was ineligible for charter membership in the UN in 1945. Finland applied for membership in 1947, but Cold War disagreements among the great powers on UN admissions policies delayed Finland's entry until 1955.

Finland had not been very enthusiastic about membership in the UN in the 1945 to 1955 period. The country tried to pursue the Paasikivi policy of passive and cautious neutrality and feared that joining the UN would be incompatible with its nonaligned status. A strict interpretation of the UN charter made membership in it incompatible with neutrality. According to Article 25 of the charter, members of the UN are obliged to follow the decision of the Security Council in applying economic or military sanctions against other member states.

Since becoming a member, however, Finland has been a committed and active participant in accordance with its official foreign policy of a peaceful and active neutrality. In the late 1960s, it was a member of the Security Council, and one of its UN officials, the diplomat and historian Max Jakobson, was a strong contender for the post of secretary general. His candidacy is said to have failed because of reservations on the part of the Soviet Union. In the fall of 1988, Finland was reelected to the Security Council for a two-year term, and it was expected to assume the council's chairmanship in 1990.

There have been two main lines of Finnish policy in the UN. The first is that Finland avoids any political or economic confrontation in which the interests of the superpowers are directly involved. This policy explains why Finland has refrained over the years from condemning Soviet actions, most recently the Soviet military presence in Afghanistan. Finnish officials hold that their country can be more effective on the international level if it has good relations with all countries. (They commonly explain that Finland wishes to work as a doctor rather than as a judge.) The second current of Finland's UN policy is that country's role as part of the Nordic bloc within the organization. Finland consults and collaborates closely with other Nordic members, generally voting with them, participating with them in aid projects to the Third World through the United Nations Development Programme (UNDP), or being part of the UN forces sent to troubled areas. Finnish forces have taken part in every UN peacekeeping mission since the early 1960s. In addition, the country maintains a permanent military force available to the organization (see *United Nations Peacekeeping Activities*, ch. 5). Finnish aid to the Third World has not been so extensive as that of the other Nordic countries. Finland, for example, has never met the goal of contributing 0.7 percent of its gross national

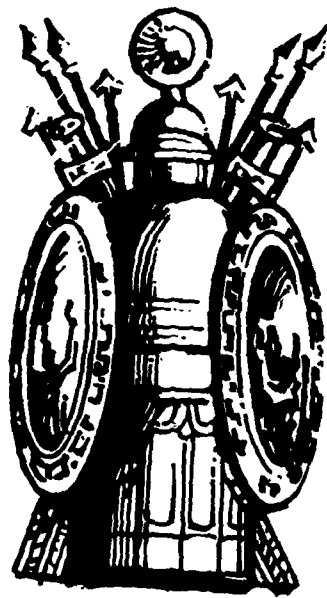
product (GNP—see Glossary) to Third World development, and critics have charged that Finland gets a “free ride” from the achievements and good reputations of Sweden, Norway, and Denmark. Efforts were underway in the 1980s, however, to come closer to this figure. The foreign aid programs in which Finland was involved were not only multilateral, but, with regard to a few selected countries, were carried out on a one-to-one basis. Finland’s record as a provider of asylum for refugees did not always match the records of the other Nordic countries. A quota system instituted in 1985 provided for the acceptance of 100 refugees a year. Criticism of this figure led to the quota’s increase to 200 a year in 1987, and in mid-1988 Finnish officials decided to admit 300 refugees that year. As of late 1988, there were about 1,200 refugees in Finland, nearly all of them from the Third World.

* * *

An excellent introduction to Finnish political life is David Art-er’s *Politics and Policy-Making in Finland*. The same author’s *The Nordic Parliaments* presents in great detail the workings of the Eduskunta, the Landsting, and the Nordic Council. Somewhat dated, but still useful, is Jaakko Nousiainen’s classic *The Finnish Political System*. The second edition of *The Finnish Legal System*, edited by Jaakko Uotila, will meet the needs of many readers on this subject; in addition, it has expert surveys of various Finnish political institutions. *Small States in Comparative Perspective: Essays for Erik Allardt*, edited by Risto Alapuro et al, contains a number of valuable articles. Klaus Törnudd’s *Finland and the International Norms of Human Rights* examines Finnish legal protections for human rights and provides much information about law and the media.

Stimulating brief accounts of Finland’s unique international position are George Maude’s *The Finnish Dilemma: Neutrality in the Shadow of Power* and Max Jakobson’s *Finnish Neutrality*. Roy Allison’s more recent *Finland’s Relations with the Soviet Union, 1944–84* is also very useful. *Foreign Policies of Northern Europe*, edited by Bengt Sundelius, treats the Nordic region as a whole, yet it will help the reader seeking more specific information about many aspects of Finnish foreign relations. The Nordic quarterly *Cooperation and Conflict* often contains excellent articles that deal with Finnish foreign relations, as does the *Yearbook of Finnish Foreign Policy*, published by the Finnish Institute of Foreign Affairs. (For further information and complete citations, see Bibliography.)

Chapter 5. National Security



Escutcheon in front of Ministry of Defense, Helsinki

IN THE STRATEGICALLY VITAL REGION of northern Europe, Finland and Sweden together form a large expanse of neutral territory between the two military blocs of the North Atlantic Treaty Organization and the Warsaw Pact. Finnish defense policy in the late 1980s was based on the principle that, while not directly threatened from any source, Finland was in danger of becoming involved in the event of a larger conflict between the great powers. In such an eventuality, Finnish territory might be violated in military operations targeting objectives beyond Finland's borders. If, as seemed most likely, the potential invader was primarily engaged elsewhere, determined Finnish defensive action should have a realistic chance to succeed, or at least to inflict severe damage sufficient to discourage potential incursions.

Finland's standing forces were modest in number (about 35,000), both as a requirement of the 1947 Treaty of Paris and as a result of the economic constraints on a nation of fewer than 5 million inhabitants. The treaty also prohibited Finland from acquiring arms of an offensive nature. Nevertheless, a conscription system provided military training for nearly all young men, and, in an emergency, a reserve force of former conscripts could put up to 700,000 men, nearly 15 percent of the country's population, in the field. When mobilized, this sizable fighting force, aided by natural defenses of deep forests, marshes and lakes, and a bitter winter climate, could present a formidable challenge to any invading army.

Historically, Finland has been a source of strategic concern to the Soviet Union because of its proximity to the densely populated, industrialized zone centered on the Soviet Union's second largest city, Leningrad. Although Leningrad was still important militarily, by the 1970s the strategic focus had shifted northward, where sparsely inhabited Finnish Lapland lies close to the concentration of Soviet bases and ports on the Kola Peninsula. Upon the outbreak of war, these northernmost regions of Europe would, in all likelihood, become a key area of conflict. Finland's northern defenses, both ground and air, had been reinforced during the 1970s and the 1980s to emphasize its determination to prevent Lapland from becoming a corridor for attack by one of the military alliances.

The Finnish military relationship vis-à-vis the Soviet Union was governed by the 1948 Treaty of Friendship, Cooperation, and Mutual Assistance, which committed Finland to use all of its available forces to repel an attack from the West, if necessary with the

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assistance of the Soviet Union. Soviet involvement would, however, require Finland's assent. To preclude the possibility of the Soviet Union's insisting on introducing its forces onto Finnish soil under the pretext of a developing threat, Finland deemed it essential that the Finnish Defense Forces be perceived as having the capability to deny the hostile transit of Finnish territory. The Finnish defense posture thus gave considerable emphasis to effective surveillance and alertness in order to detect violations of Finnish air space and land and sea intrusions in any part of the country.

Officially, Finnish defense strategy assumed that attack could come from any direction; hence, its standing forces were distributed throughout the territory. Finland's sensitive relations with Moscow precluded a deployment suggesting that the most likely threat was along its extended eastern border with the Soviet Union. Nevertheless, a possible scenario was a Soviet crossing of the northern territories of Finland and Sweden to attack North Atlantic Treaty Organization bases in northern Norway that threatened the movement of Soviet fleet units into the Atlantic.

Finnish strategic doctrine had emerged from the lessons learned during the two phases of its conflict with the Soviet Union between 1939 and 1944—the Winter War and the Continuation War. The Finns' experience of fighting against vastly superior manpower had taught them that set battles with concentrations of forces should be avoided. Defense in depth and mobility of forces were necessary in order to minimize attrition. The emphasis was on smaller fighting elements that could, by guerrilla tactics, employ terrain and weather to pin down and to divide larger enemy forces, then swiftly concentrate their own units for punishing attacks. The ultimate objective was not to win a clear-cut military victory against a more powerful opponent but, as in Finland's World War II campaigns, to inflict sufficient losses on the attacker to persuade him that a negotiated settlement was preferable to a continued drain on resources.

Although Finnish first-line units were undergoing modernization in the late 1980s, the Defense Forces as a whole were only moderately well equipped for the mission of resisting armed attack against or across Finland's territory. Military outlays continued to be among the lowest, in relation to national income, of all of the developed countries. Nonetheless, the nation was firm in its resolve to defend Finnish territory and independence. It was confident that its military preparedness, combined with the qualities of its individual soldiers and its forbidding geography, presented a strong deterrent to intervention from any quarter.

Military Heritage

Although Finland did not achieve full national independence until 1917, its military traditions went back more than 300 years. As a part of the dual kingdom of Sweden and Finland, Finland supplied the Swedish armies not only with drafted foot soldiers, but also with highly qualified officers from the Swedish-speaking aristocracy (see *The Era of Swedish Rule*, c. 1150-1809, ch. 1). Contributing as much as one-third of the manpower of the Swedish armed forces, the Finnish infantry and cavalry distinguished themselves at a time when Sweden was playing a decisive role in European power politics. The setbacks that Sweden eventually suffered in Europe were explained by the Finns, with considerable justification, as mistakes that had been made by the Swedish kings on the political level. The performance of the Finns on various battlefields had justified their reputation for bravery and their confidence in their own martial abilities.

With the decline of Swedish power in the eighteenth century, the Finns were called upon to defend the country's borders to the east against the traditional enemy, Russia. On three major occasions, Russian armies occupied parts of the country for a number of years before eventually being driven out by Finnish and Swedish forces. When Finland became the Grand Duchy of Finland in the Russian Empire in 1809, the Finnish units of the Swedish army were disbanded.

The first indigenous Finnish military elements of three light infantry regiments were raised at the time of Napoleon's eastward drive in 1812, but during most of the nineteenth century, the only Finnish military force was a guards battalion paid for by the tsar. Finns were specifically exempted from Russian conscription, but more than 3,000 of them, mostly from the aristocracy, served in the tsarist armies between 1809 and 1917 (see *The Russian Grand Duchy of Finland, 1809-1917*, ch. 1).

The Finnish Military Academy at Hamina continued to turn out officers who served with distinction in the Imperial Russian Army, a disproportionate number rising to the rank of general. Among these graduates was Carl Gustaf Emil Mannerheim, who later became the great hero of Finnish resistance and the struggle for independence.

In 1878 the tsar permitted Finland to raise its own national militia through a conscription law providing for selection of recruits by lot to serve either as regulars or reservists. By the beginning of the twentieth century, the Finnish army consisted of eight provincial battalions of infantry and a regiment of dragoons, together with

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thirty-two reserve companies. In 1901, as part of the Russification movement, the Russian authorities introduced a military service law obligating Finns to serve in the tsarist army, for four years, anywhere within the Russian Empire. Only one regiment of dragoons and one battalion of guards from the Finnish army were to be retained; the rest were to be incorporated in the imperial army. The new law was met by passive resistance in Finland, and it strengthened the Finnish nationalist movement. In a shift of policy in 1905, the conscription law was suspended, and Finns were never again called upon to serve in Russian uniform. Nevertheless, the Russians dissolved the militia, the military academy, and the guards battalion.

Soon after Finland gained independence in December 1917, a nationalistic, middle-class militia known as the White Guards, which had been secretly established in 1904 and 1905 and which had remained underground since then disguised as athletic clubs and other groups, was officially proclaimed the army of the Finnish government under General Mannerheim. This so-called White Army was strengthened and trained by 1,100 officers and noncommissioned officers (NCOs) who had traveled clandestinely to Germany during World War I and had formed the Twenty-seventh Royal Prussian Jaeger Battalion. Returning to Finland, they brought back with them urgently needed small arms captured from the Russians. The White forces were swelled by new conscripts, officers of the former Finnish armed forces, Swedish volunteers, and Finnish officers who had served in the Swedish and in the Russian armies, in addition to the jaegers. After three months of bitter civil conflict, the White Army of about 70,000 troops defeated the Red Guards from the radical wing of the Finnish Social Democratic Party, in May 1918. Both sides suffered thousands of casualties. In four months, the White Guards had evolved from a strongly motivated, but ill-trained, militia into a battle-hardened, disciplined national armed force. Although numerically superior and reinforced by the Russian garrisons in Finland, the Red Guards were deficient in equipment, training, and leadership (see *The Finnish Civil War*, ch. 1).

During and after the Civil War, conflict emerged between the younger jaeger officers of the Finnish army and the former tsarist officers in its upper ranks. When most of the Finnish officer corps threatened to resign in 1924 over the dominance of the Russian-trained leadership, most of the Russian officers were moved aside and the jaeger officers began to occupy the higher echelons, bringing the influence of German military doctrine and training methods with them.

The new government reinstituted conscription after the Civil War and established a small national army. It also introduced a mobilization system and compulsory refresher courses for reservists. The Finnish Military Academy was reactivated in 1919, and during the 1920s a reserve officers' school was formed, together with NCO schools for various branches and arms of the service. The Civil Guard, a voluntary rightist formation of 100,000 personnel derived from the White Guards, constituted a local auxiliary. Nevertheless, Finland did not succeed in building a strong national army. The requirement of one year of compulsory service was greater than that imposed by any other Scandinavian country in the 1920s and the 1930s, but political opposition to defense spending left the military badly equipped to resist attack by the Soviet Union, the only security threat in Finnish eyes.

When the Soviets invaded in November 1939, they were met by a force of 135,000 Finnish troops organized into 9 divisions. In a matter of a few weeks, the Finnish army destroyed large numbers of invading Soviet soldiers. The initial Red Army contingents were poorly trained, and they were unprepared for combat under severe winter conditions. The Finnish army was able to inflict sharp defeats in battles on the Karelian Isthmus and in northeastern Finland. Momentarily, it looked as if Finland would turn back the aggressor and would inflict an astonishing military defeat on its great and powerful neighbor. When the Soviet commanders reverted to a strategy of wearing down the greatly outnumbered Finns in Karelia by their overwhelming firepower, however, Finland's defeat was inevitable. On March 12, 1940, an armistice yielded slightly more territory to the Soviets than they had initially demanded in 1939. The Soviets regarded this territory as being vital to their preparations for a future showdown with Nazi Germany (see fig. 1).

In the Continuation War, fought by Finland as a cobelligerent with Germany from 1941 to 1944, Finnish forces again demonstrated their superior qualities. Thanks to the Germans, the army was now much better equipped, and the period of conscription had been increased to two years, making possible the formation of sixteen infantry divisions. The fully mobilized Finnish army of 400,000 was numerically superior to the opposing Soviet forces, which had been thinned to meet the need for troops to resist the German onslaught on the central front. The Finnish goal was not conquest but regaining territories traditionally Finnish. The Finns refused German pressure to join in the siege of Leningrad, but they pushed 80 to 160 kilometers into Soviet territory farther north above Lake Ladoga before settling for static defensive operations. The Finnish

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army continued to occupy this former Finnish area until the major Soviet offensive of June 1944. Confined in the losing Axis coalition, the Finns had to retreat for a second time, and they escaped total Soviet invasion and occupation only by entering into a separate agreement that obligated them to military action against the retreating German armies (see *The Continuation War*, ch. 1).

The demobilization and regrouping of the Finnish Defense Forces were carried out in late 1944 under the supervision of the Allied Control Commission. Following the Treaty of Paris in 1947, which imposed restrictions on the size and equipment of the armed forces and required disbandment of the Civil Guard, Finland reorganized its defense forces. The fact that the conditions of the peace treaty did not include prohibitions on reserves or mobilization made it possible to contemplate an adequate defense establishment within the prescribed limits. The reorganization resulted in the abolition of about 15 percent of officer and NCO positions, the adoption of the brigade—in place of the division—as the basic formation, and the reduction of the term of service for conscripts to 240 days (330 days for NCO and for reserve officer candidates). The organization of the high command was unchanged, but the minister of defense was given slightly more authority in decision making. The completion of this reorganization in 1952 established the structure within which the modern Defense Forces were to evolve.

Treaty Commitments Affecting National Security

Considering the magnitude of the defeat and the blows that were dealt to other nations fighting on Germany's side during World War II, Finland did not fare badly when the terms for the Treaty of Paris were completed on February 10, 1947. With respect to national security, the most important parts of the peace treaty were the restrictions it put on Finland's armed forces. Part III, Articles 13 through Article 22, limited the future regular Finnish army to 34,400 soldiers, the navy to 4,500 individuals, and the air force to 3,000. There were also exclusions of equipment of an offensive nature, such as bombers, missiles, and submarines. Warships could not exceed a combined total of 10,000 tons. The air force could acquire up to sixty combat planes, but they were not to include bombers or fighter bombers. None of the services was allowed to construct, to procure, or to test nuclear weapons.

The stipulations on the size of the Finnish armed forces were included on the demand of Britain, which did not want to accord special treatment to Finland. (Limiting provisions also had been incorporated into the peace treaties with Romania, Bulgaria, and Hungary.) Fears that Finland would soon come within the Soviet

orbit may also have influenced the British demands. The peace treaty restrictions have never been interpreted as prohibiting Finland from training and arming a large reserve force, however. The Soviet Union has, on the contrary, been willing to sell Finland equipment far in excess of the needs of its standing army.

Changing geopolitical conditions and weapons technology have resulted in an easing of the treaty's restrictions. In spite of the prohibition against missiles of all types, in 1963 the contracting parties approved an interpretation of the peace treaty permitting Finland to acquire defensive missiles. Finland subsequently armed itself with naval surface-to-surface missiles (SSMs), antiaircraft missiles, and antitank missiles. In 1983, following another interpretation that the treaty's ban on magnetic underwater mines did not prohibit mines of a defensive nature, Finland was permitted to buy modern mines from Britain and from the Soviet Union.

The problems of national defense were also affected by the Treaty of Friendship, Cooperation, and Mutual Assistance (FCMA—see Appendix B) with the Soviet Union, requested by Joseph Stalin in February 1948 and signed by the Finnish government in April of the same year (see *The Cold War and the Treaty of 1948*, ch. 1). The most important defense-related clauses were Articles 1 and 2, which deal with military cooperation and consultation between Finland and the Soviet Union. Other articles deal with noninterference in the internal affairs of the other state and agreement not to enter into an alliance aimed against the other party of the treaty.

The Finnish government distinguished the FCMA treaty from a military alliance by pointing out that its military clauses were restricted to situations of attack against Finland or against the Soviet Union through Finnish territory. Moreover, according to the language of the treaty, the military assistance to be provided by the Soviet Union was not to come into effect automatically; it was to require Finland's approval following consultations of the general staffs of the two nations.

The FCMA treaty has been renewed several times, most recently in 1983 for a twenty-year period. The frequent renewals, long before the expiration dates, seemed to reflect intense Soviet interest in the treaty. Finland has strenuously avoided military consultations under the treaty and has never accepted hints by the Soviets that the treaty should be the basis for military cooperation and joint exercises. Nevertheless, the potential for serious strains with Moscow always existed over the need for, and the nature of, assistance under the treaty (see *Soviet Union*, ch. 4).

The Åland Islands have historically served, during conflict in the Baltic Sea, as naval bases and as staging and transit areas in

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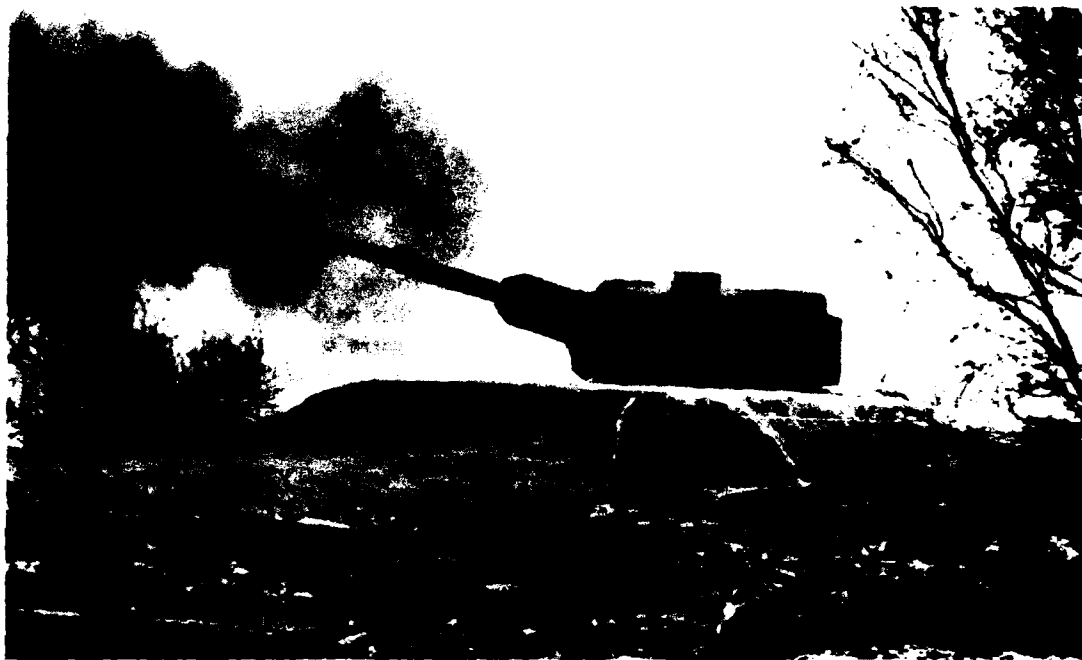
support of offensive operations on land (see fig. 1). In 1921 the most important Baltic countries, exclusive of the Soviet Union, concluded a convention that strengthened the demilitarization of the islands originally agreed to in 1856. Under this convention, Finland could neither fortify the islands nor construct military bases in the archipelago, but it could send armed forces there temporarily in case of a need to restore order or to carry out inspections by small naval vessels or air reconnaissance. In wartime, the convention authorized Finland to take necessary measures to repel an attack endangering the neutrality of the zone.

In 1940, under a separate agreement between Finland and the Soviet Union, Finland reaffirmed the demilitarization of the islands and pledged not to place them at the disposal of any other state's armed forces. These commitments were recognized by a clause in the 1947 Treaty of Paris stating that the islands were to remain demilitarized. In conformity with Finland's obligations under these agreements, the Coast Guard patrolled the territorial waters of the Åland Islands in peacetime. The Defense Forces would exercise responsibility for their defense in wartime.

Geostrategic Situation

Finland's military importance arises from its geographic position. As a small country, it poses no military threat to its neighbors, but at times in the past larger powers have considered its possession important for their security. The exposed western position of the tsarist capital, St. Petersburg, caused Russian officials to strive for control of Finland. Later, Soviet strategists were likewise convinced that Leningrad's security required Finland's subjugation and therefore mounted invasions. In the postwar period, Finland's military importance increased, for developments in weapons technology and Soviet basing policies caused the country to figure not only in the strategic concerns of its giant eastern neighbor, but also in those of the North Atlantic Treaty Organization (NATO).

The region itself was peaceful. Sweden, Finland's neighbor to the west, was nonaligned and had a long tradition of friendly foreign relations. The militarily vital regions of Central Europe to the south were relatively distant, and they were separated from Finland by the Baltic Sea. In the high north, where Finland and Norway had a common border, Norway had prohibited operations by other NATO forces in peacetime, and it did not permit nuclear weapons or Allied bases on its territory. Denmark, likewise part of NATO, attached these same restrictions to its membership in the alliance.



*Finnish-made 130mm "turret cannon" firing in reinforced coastal
artillery emplacement
Courtesy General Headquarters, Finnish Defense Forces*

Finland's military importance grew from the fact that, although it formed—along with Sweden—a vast zone of neutrality between the forces of the Warsaw Pact and NATO, the country was adjacent to areas of crucial importance to the superpowers. The Soviet Union maintained its traditional watchfulness over the Baltic Sea and the Gulf of Finland, which controlled access to the Leningrad region with its large population and high concentration of vital industry. Although the Soviet Union exercised military domination over the southern shores of these waters, it was highly sensitive to the position of Finland, which occupied the northern shore and strategically significant island groups.

Contiguous to Finland's northern border is the Kola Peninsula, where some of the Soviet Union's most important military installations were located. The only part of the Soviet coastline providing ice-free access to the Atlantic year round, the peninsula's harbors served as home ports of the Soviet northern fleet and of most of its nuclear ballistic missile submarines patrolling the North Atlantic. In the event of hostilities, the Soviets would regard securing the northern Norwegian coast as essential to ensure that their surface and submarine fleets could reach the North Atlantic, where they could disrupt major supply routes for United States forces in Europe. Because of the importance of the Soviet military complexes

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on the Kola Peninsula, NATO almost certainly would have to view them as prime wartime targets. Also crucial to the alliance would be confining, in the Barents Sea, whatever Soviet naval assets survived attack. Thus, in the event of hostilities, the superpowers would commit considerable military resources to this region.

The official Finnish view held that the country was unlikely to be the victim of an isolated attack upon its territory, but rather that any military action directed against Finland would almost certainly have to be part of a wider conflict between East and West. Finnish military planners did not regard their country as having strategic targets justifying military aggression, but they believed that foreign powers might try to seize Finnish territory to use it as a transit route to reach essential targets.

Thus, Finnish Lapland was regarded as a possible invasion route for either NATO forces aiming at the Murmansk area or Soviet forces seeking to occupy northern Norway. For the Allies, however, the difficulties of mounting a land attack across northern Scandinavia against Soviet military bases would be enormous. For this reason, military analysts judged that NATO operations in the area would more likely be air-based and sea-based.

Finnish strategists had traditionally regarded the wide buffer zone formed by Finnish and Swedish air space as a deterrent to attack, because it increased the flight time of attacking aircraft to potential targets and thereby reduced the operational time in the target area. Since the deployment of cruise missiles in the 1980s, however, there has been a threat to the inviolability of Finnish air space that did not require intrusions on its land and sea territories. Soviet sensitivity over the cruise missile threat underscored the significance of this problem.

Military planners considered southern Finland and the Åland Islands to be lesser strategic areas, except in the event of a Soviet move against southern Norway through Sweden, and they saw a NATO thrust against Leningrad through the Baltic Sea as implausible. Such an operation would necessitate control of the Danish Straits and of the constricted Baltic itself against strong Soviet land, naval, and air forces. Finland was, however, obliged by treaty to secure the Åland Islands in the event of war to prevent their military use by other powers. This obligation underscored another aspect of Finland's defense environment. War between the power blocs could well mean a preemptive attack on Finland to secure it and to prevent use of its territory by the enemy.

Although Finnish strategists did not publicly emphasize the military threat represented by the Soviet Union, it was evident that the strong Soviet military presence near their shared border, 1,200

kilometers in length, was a prime source of concern. According to a study by the United States Department of Defense in 1988, Soviet conventional forces assigned to the Northwestern Theater of Military Operations, an area that included Finland, consisted of 12 divisions, 1,350 tanks, and 160 tactical aircraft. Although not at full strength, these ground forces could be mobilized quickly for a drive into southern Finland as a preemptive move to deepen Soviet defenses of Leningrad and adjacent areas in a crisis situation.

Another contingency that Finnish planners needed to anticipate was the crossing of northern Finland by Soviet land forces as part of an attack aimed at securing the coast of northern Norway and thereby controlling the sea approaches to the Kola military complex. In the Pentagon's judgment, Soviet operations were likely to include a thrust against northern Norway in which ground forces, supported by land-based air and naval amphibious forces, would try to seize critical airfields and to destroy early warning installations. The ground forces balance significantly favored the Soviets in this area, and probably the air force balance did as well. Such an operation would, nevertheless, be extremely arduous in view of the paucity of east-west road links and the austere climate and terrain.

If Finland is unlucky in its strategic location, as a theater of war, its physical characteristics present exceptional conditions that heavily favor a defending army. Only a few regions are conducive to the maneuvering of modern ground forces. These are primarily in the coastal areas of southern, southwestern, and western Finland, where the main administrative and industrial centers, a majority of the population, and the most highly developed transport networks are located. The vast regions of central and eastern Finland are areas of rivers, lakes, and forests. With swamps covering as much as 50 percent to 60 percent of some parts of this territory, military operations would be constricted to the few roads (see Geography, ch. 2; Transportation and Communications, ch. 3). Even specially designed rough-terrain vehicles would be greatly hampered in these areas.

In Lapland, above the Arctic Circle, climatic conditions are especially severe. Beginning in November, the long Arctic night hampers winter activity. Frost, snow, and cold (-30°C to -35°C) can paralyze the operations of large bodies of troops and their air support, unless they are specially trained and equipped. In mountainous parts of Lapland, ground operations would also be forced in the direction of the few routes through passes, and the more open northern regions provide little cover for ground forces.

An attack on Finland by sea would be severely hampered by the

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jagged coastline of shallow bays, rocks, and clusters of islands. The few narrow ship passages would be heavily defended by modern coast artillery emplaced on cliffs, by highly maneuverable missile boats, and by extensive minefields. The thick ice cover would virtually preclude the winter operation of warships near Finnish territorial waters.

Concepts of National Security

An essential ingredient in Finnish strategic planning was to establish the perception that the nation had the will and the capability to defend its territorial integrity if conflict broke out. To avoid giving the Soviet Union a pretext for intervention, Finland considered it vital to demonstrate to Moscow that it could fully meet its obligations under the FCMA treaty. Similarly, Finland needed to convince Norway, together with its NATO partners and Sweden, that Finnish territory would not be used as a base for threatening them militarily. The primary task, therefore, was to maintain a credible force for repelling a limited conventional attack upon the country during the course of a wider conflict.

Finland's traditional policy was to defend the entire country. It believed that its level of military preparedness rendered unlikely the success of an airborne surprise attack against administrative centers and other key areas. It planned to take advantage of its relatively large underpopulated expanses and of the special terrain conditions to pursue a strategy of defense in depth in order to frustrate an invader. Total defeat of an enemy was not expected. The Finns hoped to demonstrate that any effort to secure their territory as a base for military operations elsewhere would not be profitable compared to the time and sacrifices involved. Despite Finland's small population, military planners assumed an enemy would have most of its forces employed elsewhere and would be able to use only some of its military assets against Finland; hence, the country's limited aims could be achieved. The primary burden for thwarting an attack directed through Finnish territory would fall upon the army.

The heightened strategic significance of the far northern regions of Europe since the 1960s has accentuated the importance of Lapland's defenses. In the late 1980s, first-line Finnish troops were being specially equipped to take advantage of the harsh conditions of terrain, climate, and winter darkness encountered there. Peacetime force deployment in Lapland had been reinforced during the 1980s with the goal of stationing half of Finland's interceptor aircraft and nearly one-third of its ground forces there. This

deployment was considered compatible with the force strengths in northern Sweden and in northern Norway.

Reacting to hints by the Soviets that the threat of cruise missiles fired from United States submarines or from West European bases justified joint defensive measures, Finnish leaders have strongly underscored their determination to act on their own to resist intrusion of Finnish air space in any form. Although advanced radar, fire control, and surface-to-air missile systems were being acquired, the Soviet embassy in Helsinki asserted in mid-1988 that Finland and Sweden must do still more to improve their air defenses.

Finland's mobilization system was characterized by a flexibility that enabled the degree of preparedness to be stepped up as required to meet a particular crisis situation or threat. The first forces called up for mobilization would be the Fast Deployment Forces, consisting of the most mobile and powerful army elements, together with almost all navy, air force, Frontier Guard (Rajavartiolaitos—RVL) units, and assorted local forces. The Fast Deployment Forces would be able to reach peak strength—about 250,000 men, 130,000 of whom would be ground forces—in two to three days. The Fast Deployment Forces (also called Protective Forces) would have as their chief duty a protecting or covering mission that would allow the total mobilization in seven days of 700,000 men, including 500,000 ground forces.

Finnish military doctrine divided forces into general forces, local forces, and support forces once full mobilization was achieved. General forces were the best and most powerfully equipped units of all the services, and the elements most suited for decisive massed attacks. In the late 1980s, these forces were estimated at about 250,000 men. In addition to the professional cadre, local forces consisted of older reservists. It was projected that they, being less heavily armed, would be used in guerrilla operations, often behind the lines in areas overrun by the enemy. When needed, local forces could combine with general forces for intense battles against a weakened and encircled enemy. Support forces assisted the other forces with logistics, supplies, and other requirements.

During peacetime, standing ground, sea, and air forces, in keeping with Finland's neutral posture, were not concentrated against any single potential threat but were deployed to deal with invasion from any direction. Defense was predicated on rapid mobilization of the country's general forces and on their rapid deployment to active fronts. Rather than a static defense, for which resources were insufficient, a strategy of maneuver was contemplated. A powerful frontal attack would be met by a "deep zone" defense,

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taking fullest advantage of geographical features and climatic conditions. Tactics of delay and attrition would be employed to prevent an aggressor from reaching vital areas. As the attacker's lines of communication lengthened, concentrated counterattacks would be launched under conditions favoring the more lightly armed Finnish units. In areas seized by the invader, local forces would continue to conduct guerrilla-type operations, such as ambushes, limited raids on the enemy's supply lines, mining of roads, and strikes against logistics centers. In the 1980s, military planners modified this flexible defense somewhat, concluding that certain areas were so vital to the country's survival that they were to be held at all costs. Defense of southern Finland and Helsinki, the Åland Islands, and Lapland was to be so intense that they would never be ceded in their entirety to enemy control.

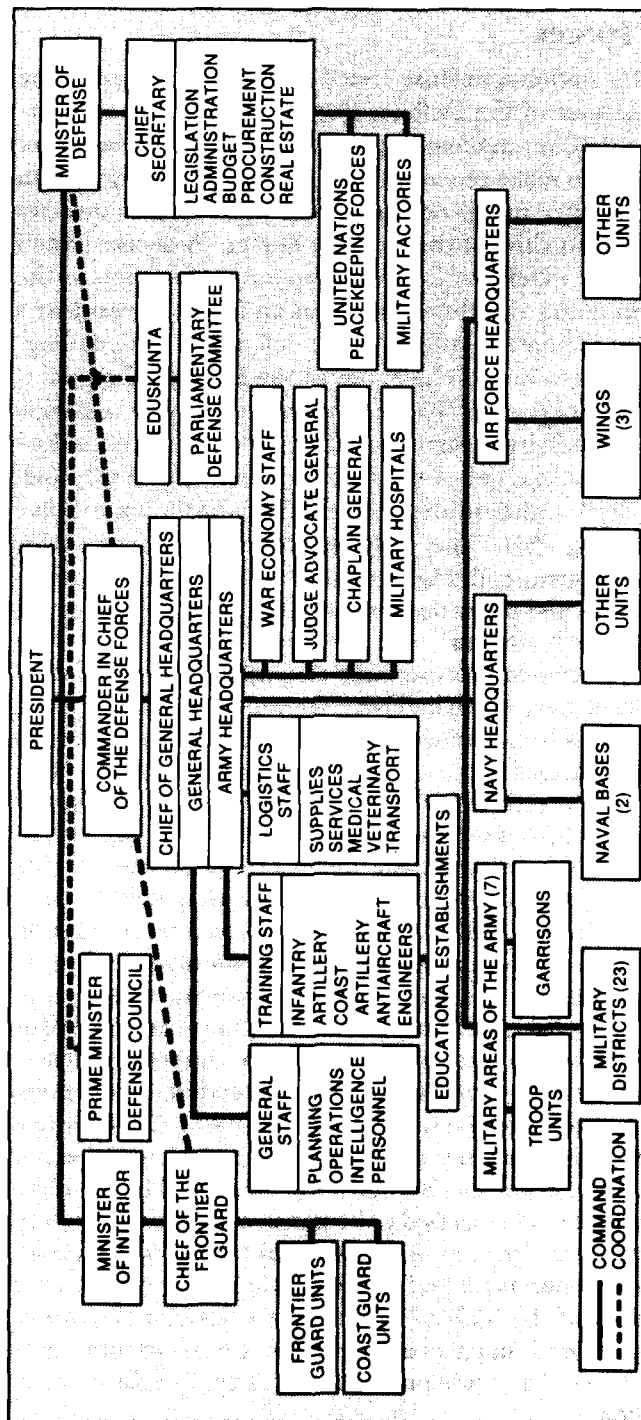
The local defense forces and the RVL would be expected to operate as self-contained units carrying out peripheral attacks in relative isolation. The object would be to sap the strength of the aggressor as he moved deeper into the country, denying the use of roads, and, after combat units were cut off from supplies and reinforcements, segmenting the fighting. Local and general forces could then be brought to bear in devastating strikes against the invader. After suffering costly damage over a protracted period, the aggressor country would find it expedient to abandon its original objectives and to accept a negotiated settlement.

Finland recognized that the outbreak of general war in Europe might result in the use of nuclear weapons. A considerable effort was therefore undertaken to prepare the civilian population against the eventuality of nuclear warfare (see Civil Defense, this ch.). Finland's limited resources did not permit full preparation against nuclear warfare, however, and defense planners based their efforts on the assumption that any threat to the country would be of a conventional nature. Political measures were also undertaken to minimize the likelihood of exposure to nuclear attack. Finland's active promotion of comprehensive disarmament measures and of a Nordic Nuclear-Weapons-Free Zone (NWFZ) was premised on the belief that, if the Nordic countries had no nuclear weapons on their territories, the superpowers might refrain from including nuclear arms in their strategic plans affecting those territories (see Neutrality, ch. 4). The objection to such a commitment, in the view of Western defense planners, was that it would deny NATO the nuclear option in defense of Norway and Denmark while placing no restrictions on Soviet nuclear forces in the Kola Peninsula or on naval vessels in the Baltic Sea.

The Armed Forces

Authority over national defense rested with the president as the supreme commander of the Defense Forces. The president exercised the highest decision-making responsibility, including the power to declare war and to make peace with the consent of the Eduskunta (parliament), to order mobilization, and to issue orders directly to the commander in chief of the Defense Forces. A decree issued in 1957 established a Defense Council with a dual function as the supreme planning and coordinating organ and as the president's consultative arm in matters affecting the defense of the country. The prime minister acted as chairman of the Defense Council if the president were not present. Its other members were the ministers of defense, foreign affairs, finance, interior, and trade and industry; the commander in chief of the Defense Forces; and the chief of the General Staff. Other ministers could be called upon to serve temporarily (see fig. 20). The Defense Council reviewed basic defense plans for wartime, deliberated on the financing of national defense, and directed preparations for national security in areas other than military readiness.

Parliamentary oversight was exercised through ad hoc parliamentary defense committees, which had been convened in 1971, in 1976, and in 1981 to assess basic issues of strategy, equipment, and missions. Recommendations of the committees had an important bearing on defense policy and on future budget allocations. Unlike the Defense Council, all parties represented in parliament were invited to participate. A parliamentary defense commission, acting within narrower terms of reference than parliamentary defense committees, was convened in 1986. In 1988 the government considered setting up a permanent parliamentary council on defense, but no action had been taken by the year's end. The parliamentary committees had been useful in helping to develop a national consensus on security policies and on the commitment of resources to defense. The representatives sitting on the committees tended to be among those most sympathetic to the needs of the military. Government leaders felt, however, that the committees often plunged too far into sensitive strategic matters and threat scenarios. Their budgetary recommendations also tended to be generous, leaving the military disgruntled when the proposed resources could not be found. (One notable exception occurred in 1981, when the procurement recommendations of the Third Parliamentary Defense Committee were largely realized, in part because of the special circumstances of a trade imbalance that made possible large arms purchases from the Soviet Union.)



Source: Based on information from Ernel Kanninen and Vilho Tervasmäki, *Revue Internationale d' Histoire Militaire*, 62, Vaasa, Finland, 1985, 271-76.

Figure 20. Organization of National Defense, 1988

The Ministry of Defense supervised the preparation of legislation affecting national defense, the submission of the annual defense budget, the drafting of defense policies in accordance with principles defined by the national leadership, and the implementation of policies approved by the government and the parliament. The minister of defense had mainly administrative responsibilities, with limited influence over major military policy issues. His deputy, customarily a military officer of three-star rank, exercised an important role within the ministry.

Command Structure

The commander in chief of the Defense Forces was directly subordinate to the president in matters of military command, principally questions of operations and training. He was responsible for issuing military orders for the preparation and maintenance of readiness of the Defense Forces, for ensuring proper command relationships, and for coordinating all branches of the armed forces in personnel matters. He made recommendations to the president on the organization of military commands and on appointments.

The peacetime defense organization was structured around decentralized and autonomous military areas and districts. There were seven military areas and twenty-three military districts as of early 1989, although the government was considering reducing the number of military areas to five and reducing the districts to between fifteen and seventeen. Each military area comprised two to five military districts. The military area commander, a major general or lieutenant general in peacetime, exercised independent control of all military affairs within his region, including the maintenance of readiness, training of conscripts and reservists, maintenance of a functional mobilization system, wartime logistics preparations, cooperation with civilian authorities, and area defense planning. The commander in chief, who retained planning control of the navy and the air force, could order the commanders of these two services to support a given area command, or he could call upon the general forces of one military area to supply reinforcements to another military area.

The authority of the military district commander was limited in peacetime to planning for crisis or wartime contingencies, operating the conscript and reserve organizations (including call-ups and classification for military service), conducting refresher training, and maintaining the mobilization system. Under wartime conditions, the district commander would mobilize reserve brigades and battalions into the general forces in his district and would

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command local force operations unless command was assumed by a general forces headquarters.

Army

Finland's defense doctrine foresaw that the army (*Maavoimat*) would bear the brunt of repelling an invasion or any violation of Finnish territorial integrity during a period of hostilities. Consequently, maintenance of sufficient peacetime readiness of ground forces enjoyed high priority. The importance assigned to territorial defense was reflected in the command structure, which integrated army headquarters with general headquarters. Navy and air force headquarters were on a lower level, parallel with the seven military area commands.

As of 1988, the active-duty ground forces consisted of 30,000 troops, of which 22,300 were conscripts. They were organized into 8 brigades, each with a reduced peacetime strength of 1,500 to 2,000, together with 7 independent infantry battalions with strengths of up to 500 each, supported by artillery, antiaircraft, engineer, special forces, signals, and transport units of varying sizes. Under peacetime conditions, the brigade was the basic ground forces unit; there were no divisions or corps. In wartime, 2 or more brigades plus a number of detached battalions could be combined to form a corps of 15,000 to 30,000 tailored to a particular operation.

Upon mobilization, the first-line army forces, numbering about 130,000 and including younger reservists with recent training, would be deployed initially. In accordance with a fifteen-year (1981-96) modernization program, the best equipped of these units were known as Brigade 90 forces. The program provides for an eventual ten to fifteen brigades. The remaining first-line units, known as Brigade 80 forces, were believed to number ten to fifteen brigades when mobilized. They were similarly organized, but they had less advanced equipment. Although details were lacking, analysts believed that no more than one or two brigades met Brigade 90 standards as of late 1988.

In the north, the Brigade 90 forces would be *jaeger* (ranger) brigades equipped with tracked all-terrain vehicles, such as the Finnish-built NA-140. In central Finland, the *jaeger* brigades would have many Finnish A-180 *Pasi* wheeled armored personnel carriers and other light armored vehicles. Armored Brigade 90s in the south would have the T-72 main battle tank, while Brigade 80 elements would have modernized T-55 tanks; both are Soviet built (see table 22, Appendix A).

A *jaeger* Brigade 90 consisted of four battalions, each with a complement of about 1,000 troops and each possessing some artillery

and antitank capabilities. A battalion comprised four rifle companies. In addition to small arms, its principal weapons were 81mm and 120mm mortars, recoilless antitank rifles, and shoulder-fired antitank missiles. The Brigade 90 antitank company was equipped with truck-mounted, wire-guided missiles. A brigade also included two artillery battalions, one equipped with twelve 122mm howitzers and the other with twelve 155mm howitzers, all towed by tracked vehicles. The brigade air defense battalion consisted of Soviet SA-14 shoulder-fired missiles and 23mm anti-aircraft guns, supported by low-level radar and by armored fire control systems. The brigade was supported by an engineering battalion with a strong minelaying unit, and headquarters, signals, and support companies.

Two coast artillery regiments and three independent battalions occupied ten principal hardened gun positions, known as "fortresses," protecting key shipping lanes of the southern coast. These fixed positions, with batteries of turret-mounted 100mm and 130mm guns, had been blasted out of granite cliffs. They were supported by mobile coast artillery battalions to which, in 1988, were being added mobile Swedish RBS-15 antiship missiles mounted on all-terrain trucks.

Anti-aircraft defenses were the responsibility of the army, closely coordinated with the air force. The principal weapon was the Soviet SA-3 Goa truck-mounted surface-to-air missile. In 1988 negotiations were reportedly underway with France for the purchase of Crotale missile launchers and fire control systems to be mounted on the A-180 Pasi armored vehicle for medium-range point defense.

In peacetime, trained garrison forces that could be formed into operational units within hours totaled about 10,500 (8,000 army and 2,500 RVL). In an emergency, the existing brigades and independent battalions could be brought up to a wartime strength of some 70,000 within 12 to 24 hours. In the event of an acute crisis or an attack on the country, planners anticipated that the Fast Deployment Forces—consisting of the most mobile and powerful army elements, together with almost all navy, air force, and RVL units, and key local force units in border areas—would be mobilized. The army complement of the Fast Deployment Forces amounted to about 130,000 and could be activated in two to three days.

Details on the organizational pattern of the fully mobilized army were not made public. Tomas Ries, a specialist in Nordic security, has estimated that the army's share of the general forces, that is, the most powerful elements of the Defense Forces, numbered

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perhaps 200,000. In combat these troops would be organized into 20 to 25 brigades; about 70 independent light infantry, artillery, antitank, and other specialized battalions averaging 800 personnel each; and some additional specialized forces, mostly of company strength. Many of these units would be equipped with older, less sophisticated weapons, and would include higher age-groups that had not undergone recent training.

The army's share of local forces would consist of about 250 light infantry battalions, as well as smaller specialized units, numbering up to 250,000. They would serve the functions of local defense, surveillance, and guard duty. An important function of the local forces would be to lay antivehicular mines to block the limited road network. These forces would be armed with modern basic infantry weapons, supplemented by older light antitank weapons, mortars, and vehicles, including some commandeered from the civilian sector.

Support troops formed a separate category, normally operating in rear areas, and would not be expected to take part in combat. They would carry out service, support, and logistical tasks. Their mobilized strength would be about 100,000.

Navy

The main peacetime mission of the navy (Merivoimat), together with the coast guard, was to conduct surveillance of territorial waters and fishing zones and to identify violators. During a crisis situation or hostilities, the navy would be called upon to prevent unauthorized use of Finland's territorial waters, to protect vital sea routes and maritime traffic, and to close off its most important ports. Treaty obligations and strategic concerns made securing the demilitarized Åland Islands a key wartime mission of the navy. This it would do with the help of the army, coast artillery, and the coast guard. If faced by an amphibious attack, the navy's objective would be to wear down the aggressor and to restrict his operations.

Naval tasks would be carried out in an integrated manner with the army coast artillery and the air force. The shallow waters of the coastline, broken by an extensive archipelago, would facilitate the laying of defensive mines, which would figure importantly in defense against seaborne invasion. Although the fleet units were limited in size and in weaponry, their maneuverability and missile-based firepower could inflict damage on a hostile force operating in Finnish waters and in adjacent sea areas. The precise form in which a naval threat might develop was unclear, because a Soviet invasion by sea was unlikely and Western ships would be directly



*Soviet-built SA-3 GOA low- to medium-altitude antiaircraft missiles
in use by Finnish Defense Forces
Courtesy General Headquarters, Finnish Defense Forces*

exposed to Soviet naval strength in the Baltic, in the event of general conflict. By providing for control over its own coastal waters, however, Finland hoped to convince the Soviets that the Gulf of Finland would be secure and that the approaches to Leningrad would not be left unguarded.

Under the 1947 Treaty of Paris, naval manpower strength was limited to 4,500. In addition to the overall limit of 10,000 tons, the navy was not permitted to operate submarines or torpedo boats. As of 1988, active naval personnel numbered only 2,700, of whom 1,300 were conscripts. The largest vessels were two small corvettes of 660 tons, each armed with 120mm guns and antisubmarine rocket launchers. Eight missile boats were armed with Swedish and Soviet ship-to-ship missile systems. Four more missile boats were due to be delivered in the early 1990s. These boats were supported by inshore patrol craft, together with minelaying and minesweeping vessels (see table 23, Appendix A).

In peacetime the main naval units were organized into gunboat, missile boat, and mine warfare flotillas. Under wartime conditions, they would be organized into task forces with a mix of vessels as required for specific operations. The wartime task forces would be directed by the navy commander in chief and would be part of the general forces. Naval assets operating with the coast artillery would

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be directed by the commander of the military area in which they were located and would form part of the local forces. All three flotillas were based at the navy's operational headquarters at Pansio, near Turku in the southwest, where an archipelago with few navigable channels, guarded by coastal fortifications, would present great obstacles to an intruding naval force. The gunboat flotilla consisted of one corvette as a command ship and the ten Tuima class missile boats and Nuoli class fast attack craft. The missile squadron consisted of the other corvette and the four Helsinki class missile boats. The mine warfare squadron was made up of the minelayers and minesweepers. A patrol flotilla, based at Helsinki, operated the Ruissalo and Rihtniemi class attack craft.

Owing to a serious manpower shortage, only about half of the fleet was manned and operational under peacetime conditions. The readiness of the remaining ships was reportedly maintained at an adequate level by keeping them heated, by frequently testing their systems, and by rotating them into active service.

During a period of crisis or conflict, the Coast Guard, which was part of the RVL, would be integrated into the navy. Several of its larger patrol craft of the Tursas and Kiisla class were fitted with antisubmarine warfare weapons. A large number of patrol boats were equipped with submarine tracking gear.

Air Force

The peacetime missions of the air force (Ilmavoimat) were the patrolling of Finnish air space and the surveillance, identification, and interception of intruding aircraft. In an average year, ten to twenty violations of Finnish air space were detected. If conflict developed in the region, the air force would have the tasks of preserving territorial integrity, preventing overflight of hostile planes and missiles, preventing Finnish territory from being used as a base for attack, and supporting army and navy operations. The protection of Finnish air space in the event of East-West hostilities was considered a highly salient aspect of the air force role. The possibility that Finnish air space would be violated on the flight paths of bombers and cruise missiles of NATO and Warsaw Pact forces was an issue of intense concern. As of 1988, Finland was in the process of acquiring further capability to detect, to intercept, and to destroy cruise missiles crossing Finnish territory.

To fulfill these missions, Finland had given priority in the late 1970s to the upgrading of its interceptor and reconnaissance capabilities. Its three combat air squadrons were equipped with Soviet MiG-21bis and Swedish Saab J-35 Draken fighters. The forty-seven Hawk Mk-51s purchased from Britain for advanced training

and reconnaissance were not counted as combat aircraft under the limits prescribed by the 1947 peace treaty, but they could be fitted with racks for bombs, rockets, and missiles for use as light attack aircraft. Air force transport capability was limited, consisting primarily of three Dutch F-27 Fokkers and six Soviet Mi-8 helicopters (see table 24, Appendix A).

Air force headquarters was located at Tikkakoski in central Finland. The country was divided into three air defense regions (see fig. 21). Each air defense region was the operational zone of an air wing, functioning in coordination with the corresponding military areas. Each of the three command centers was individually responsible for its regional air defense, based on directives issued by the air staff. One fighter squadron was assigned to each wing, but the necessary basing and support infrastructure was in place to enable the air force commander to concentrate all air force resources in a single region if necessary.

As of 1988, the Lapland wing, consisting of eighteen Drakens, was based at the joint civilian-military airfield near Rovaniemi; the wing's headquarters were in a nearby hardened shelter complex. The Satakunta wing, with twelve Drakens based at Tampere-Pirkkala, was responsible for southwestern Finland. All of the wing's command facilities, workshops, and aircraft shelters were hardened, having been blasted out of granite cliffs. Defense of southeastern Finland came under the Karelian wing, which had a squadron of thirty MiG-21bis plus several Hawks for training and patrol duties, operating from Kuopio-Rissala. All three wings had facilities in place permitting the use of alternative military and civilian airfields, as well as prepared highway strips.

In addition to the three combat squadrons based at wing headquarters, the transport squadron was based at Kouvola-Utti and the training squadron was based at Luonetjärvi, adjacent to the flying school at Kauhava. Primary air surveillance was carried out by a fixed long-range radar system supplemented by mobile low-altitude radar, fixed in peacetime, but transportable to concealed, hardened sites in wartime. The civilian air control network was also closely linked to the military system. Automatic long-range radar, ordered in 1988 from the French firm of Thomson-CSF, will be installed at six or seven sites, including one in the far north at Kaamanen that will extend surveillance over the Arctic Ocean and the Kola Peninsula.

Flight training was conducted at the Air Force Academy at Kauhava. The Valmet L-70 Vinka was used for primary training (forty-five hours of flight time). Students then made the transition to jet training on the Hawk (100 hours of flight time), preceded by

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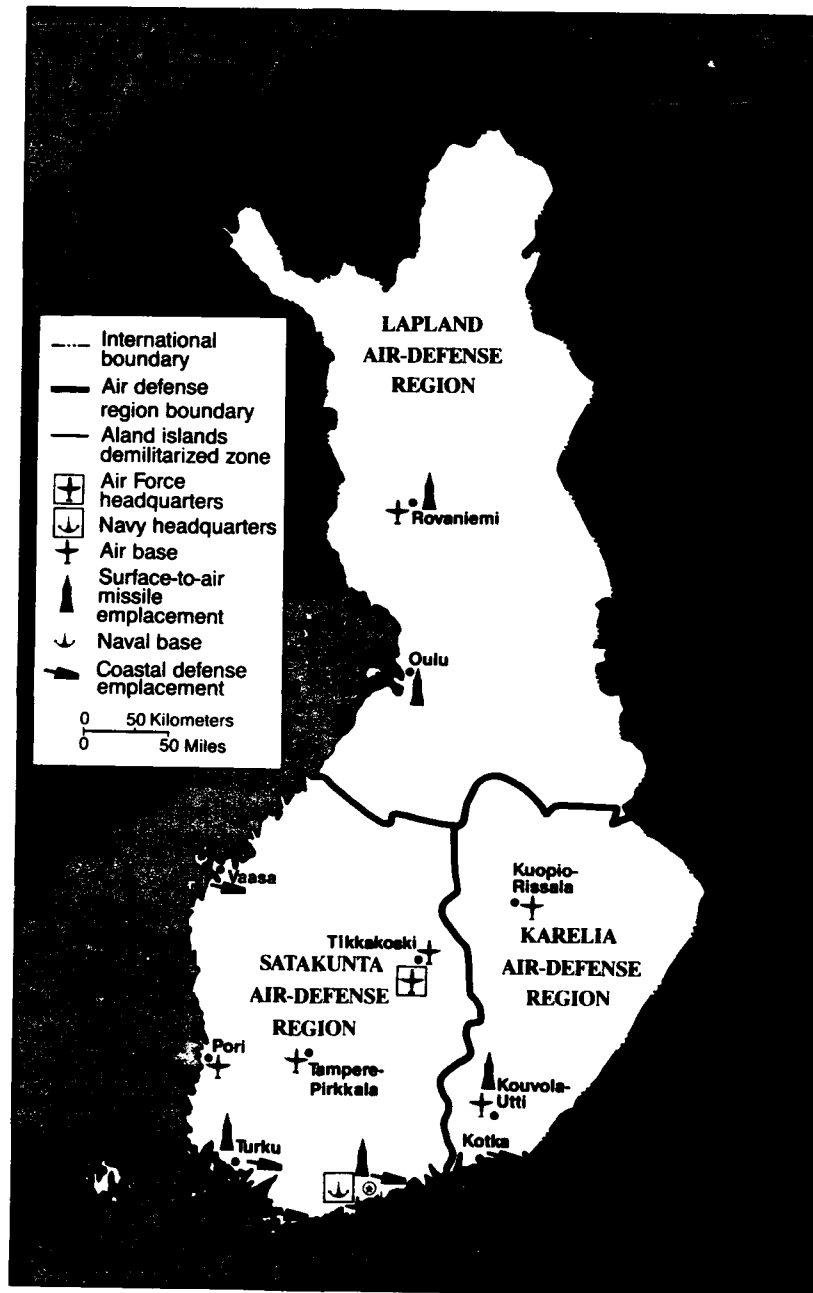


Figure 21. Air and Coastal Defenses, 1988

considerable practice on flight simulators. An intermediate trainer was not considered necessary. Conversion to the Draken or the MiG-21 and advanced tactical training were carried out after assignment to the fighter squadrons. A fully qualified interceptor pilot underwent a total of seven years of preparation. More pilots were being trained than Finland needed for its existing combat aircraft. Moreover, basing and logistical facilities were sufficient for about three times as many combat aircraft as were in the peacetime inventory.

Conscription and Reserve Duty

All Finnish males were liable for military service between the ages of seventeen and sixty. The call-up for active duty normally occurred at the age of twenty, although students could postpone service until completion of their education. Over 90 percent of young men reaching military age actually entered the Defense Forces, a rate believed to be the highest of all Western countries. There had traditionally been three conscript contingents during the course of a year, in February, in June, and in October, but in 1989 these were to be reduced to five call-ups every two years, owing to the decline in the numbers coming of age. For the same reason, the normal age for entering the service was to be reduced to nineteen. About 38,000 conscripts were trained annually, although the decreased birth rate would result in as few as about 26,300 inductees by 1993, stabilizing at that level. As a consequence, the number of reservists of all categories, which had been maintained at about 700,000, would taper off to about 600,000 during the 1990s.

Prior to 1987, conscientious objectors had been permitted to serve in the military in a noncombatant capacity for eleven months, or in civilian social service for twelve months. Legislation enacted in that year, however, required a conscientious objector to serve in alternative civilian service for sixteen months, twice the length of minimum military service. A number of objectors, regarding the new law as a form of punishment, did not accept these conditions, and they were sentenced to prison terms.

Women were not accepted in the Defense Forces, although the tightened manpower situation had provoked discussion of measures to incorporate women into training programs on a voluntary basis to handle nonmilitary tasks in an emergency. About 7,000 women were employed by the Defense Forces, mainly in clerical positions and as nurses. A considerable number were used by the air force as radar monitors in remote areas. Women employees wore uniforms, but they did not receive military training or carry

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weapons and had little opportunity for career advancement.

Conscripts were assigned upon induction to a particular branch or corps of service, depending upon existing personnel requirements, although personal preferences were respected to the extent possible. The National Conscription Act of 1950 set the duration of Service for ordinary conscripts at 240 days (8 months) and for reserve officers and NCOs at 330 days (11 months). Certain specialists and naval conscripts also served for 330 days. About 48 percent of the total intake of conscripts served for the longer period. In 1988 the military announced that a separate category of weapons specialists would be designated to serve for nine and one-half months.

Service in the reserves was obligatory after the completion of active duty. For officers and NCOs, active reserve duty continued until age sixty; and for others, until age fifty. Those who completed their active reserve obligation at age fifty were listed in class one of the auxiliary reserve until age sixty when all reserve obligations ended. Those exempted from active duty on grounds of disability were assigned to class two of the auxiliary reserve, and those aged seventeen to twenty without military training were listed in class three.

Until the late 1970s, annual training of reservists was neglected because of budgetary pressures. Efforts were underway in the 1980s to improve the situation in order to compensate for the declining intake of conscripts and to ensure that reservists acquired some familiarity with the new and more complex equipment being introduced. The number of reservists undergoing annual training increased from 30,000 in 1979 to nearly 50,000 in 1988. The relatively infrequent and brief periods of reserve training were still considered insufficient by some observers, however. They noted that Switzerland, although it required a shorter period of initial service, trained far more reservists each year by longer and more frequent refresher call-ups.

Troops assigned to the Fast Deployment Forces could expect to be called for refresher training at least every fifth year; those in some specialist categories were called up more often. Other reservists, generally those in higher age brackets, were not scheduled for training unless their assigned categories were changed. Call-ups were on a battalion basis, and reservists exercised their wartime tasks for a period of seven to ten days. The cumulative total period of active duty for reserve officers could not exceed 100 days; for reserve NCOs, 75 days; and for privates, 40 days.



*Summer and winter military exercises in Lapland
Courtesy General Headquarters, Finnish Defense Forces*

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Training and Education

All men serving in the Finnish Defense Forces, even those aspiring to become career or reserve officers, underwent basic conscript training. Army training was conducted within the unit to which the conscript was assigned. The standard initial training phase of twelve weeks was followed by twelve to nineteen weeks of individualized training in infantry, field artillery, coast artillery, antiaircraft, signals, or engineering skills. An ordinary army conscript's service concluded with a refresher period of several weeks, composed of advanced unit training and a field exercise that involved several units of the same conscript contingent. Training programs stressed the development of combat motivation, physical fitness, marksmanship, and the ability to maneuver and to survive in independent guerrilla operations under difficult conditions. Basic training was rigorous, and conscripts spent at least sixty nights outside, even during winter. Evaluations by the conscripts of the effectiveness of the training and of the NCO training staff were generally favorable.

Those conscripts who excelled in the initial stages could apply for a special fifteen-week period of training as reserve NCOs, after which they completed their active military service as squad leaders. Reserve officer candidates selected during the NCO training phase pursued the first eight weeks of NCO training, followed by a further fourteen weeks of reserve officer training. This included six weeks of basic training as platoon leaders and three weeks of practice in the coordinated operation of various weapons units. After completion of training, the reserve officer candidates returned to their original units for thirteen weeks of service as trainers. At the conclusion of their eleven months of service, they were commissioned as second lieutenants. In the late 1980s, about 25 percent of each class of conscripts became NCOs and about 7 percent became officers.

The first two years of a three-year educational program for career officer candidates were conducted at the Military Academy at Santahamina near Helsinki for all three branches of the armed forces and for the RVL. Army cadets attended a school in their chosen arms specialty during the third year. Naval cadets spent the third year of training at the Naval Academy at Helsinki. Air cadets attended the Air Force Academy at Kauhava for the third year of training. The Defense Forces announced in 1988 that the academy's curriculum would be revised to include nonmilitary subjects so that its graduates would have the equivalent of a university-level

degree. The duration of the course would probably be lengthened to three and one-half years. Entry was by examination among those who had completed the reserve officer program during their conscript service.

Army graduates of the Military Academy were commissioned as first lieutenants (with promotion to senior lieutenant within a year), served as instructors for three or four years, and then attended an eight-month to ten-month course that normally led to the rank of captain within two to three years. Six to eight years after taking the captains' course, officers could take examinations leading to the two-year (three-year, for technical specialties) general staff officers' course at the War College. About thirty-five officers, from all three services, who had been successful in the examinations, were enrolled annually. These officers could expect to have general staff assignments, and they would become eligible for promotion to the ranks of colonel and general. Officers not attending the War College were eligible for a senior staff officers' course of eight to ten months, completion of which qualified them for the ranks of major and lieutenant colonel. A very limited group of officers was selected to attend advanced courses abroad, in Sweden, France, the United States, and, occasionally, the Soviet Union.

Training of career NCOs was conducted at the one-year Non-Commissioned Officers School and at various branch or service schools. Applicants had to have completed the reserve NCO course during their conscript service, whereupon they were permitted to take a qualifying examination for the lowest regular NCO rank of staff sergeant and subsequent examinations to advance to sergeant first class and master sergeant. After three years of service, an NCO could apply for phase two of the Non-Commissioned Officers School as a qualification for promotion to sergeant major. Since 1974 career NCOs who successfully advanced through the various training stages were eligible for commissions and, ultimately, for promotion as high as captain.

Each service also had its own training institutions. The infantry had its combat school and paratroop school. The artillery had the artillery school—with its ranges near Rovaniemi in northern Finland, the coast artillery school, and the antiaircraft school. In addition to pilot training, the air force had specialist schools for maintenance, radar, and communications personnel. Refresher courses for reservists were conducted either in these permanent schools or in the reserve units themselves.

Uniforms and Insignia

The Defense Forces wore three basic types of uniforms—a dress

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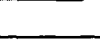
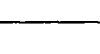























| FINLAND RANK | VÄNRIKKI | LUUTNANTTI | YLI- LUUTNANTTI | KAPTEENI | MAJURI | EVERSTI- LUUTNANTTI | EVERSTI | KENRAALI- MAJURI | KENRAALI- LUUTNANTTI | KENRAALI |
|------------------|---|---|---|---|---|---|---|--|--|--|
| ARMY |  |  |  |  |  |  |  |  |  |  |
| U.S. RANK TITLES | 2D LIEUTENANT | 1ST LIEUTENANT | | CAPTAIN | MAJOR | LIEUTENANT COLONEL | COLONEL | MAJOR GENERAL | LIEUTENANT GENERAL | GENERAL |
| FINLAND RANK | VÄNRIKKI | LUUTNANTTI | YLI- LUUTNANTTI | KAPTEENI | MAJURI | EVERSTI- LUUTNANTTI | EVERSTI | KENRAALI- MAJURI | KENRAALI- LUUTNANTTI | |
| AIR FORCE |  |  |  |  |  |  |  |  |  | |
| U.S. RANK TITLES | 2D LIEUTENANT | 1ST LIEUTENANT | | CAPTAIN | MAJOR | LIEUTENANT COLONEL | COLONEL | MAJOR GENERAL | LIEUTENANT GENERAL | |
| FINLAND RANK | ALI- LUUTNANTTI | LUUTNANTTI | YLI- LUUTNANTTI | KAPTEENI- LUUTNANTTI | KOMENTAJA- KAPTEENI | KOMENTAJA | KOMMODORI | KONTRA- AMIRAALI | VARA- AMIRAALI | AMIRAALI |
| NAVY |  |  |  |  |  |  |  |  |  |  |
| U.S. RANK TITLES | ENSIGN | LIEUTENANT JUNIOR GRADE | | LIEUTENANT | LIEUTENANT COMMANDER | COMMANDER | CAPTAIN | REAR ADMIRAL | VICE ADMIRAL | ADMIRAL |

Figure 22. Officer Ranks and Insignia, 1987









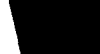
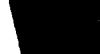
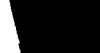

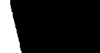
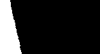
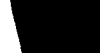








| FINLAND RANK | JÄÄKÄRI | VÄRVÄTTY | KORPRAALI | ALIKERSANTTI | KERSANTTI | YLIKERSANTTI | VÄÄPELI | YLIÄÄPELI | SOTILAS- MESTARI |
|------------------|---|---|---|---|---|---|--|--|--|
| ARMY | NO INSIGNIA |  |  |  |  |  |  |  |  |
| U.S. RANK TITLES | BASIC PRIVATE | PRIVATE | PRIVATE 1ST CLASS | CORPORAL | SERGEANT | STAFF SERGEANT | SERGEANT 1ST CLASS | MASTER SERGEANT | SERGEANT MAJOR |
| FINLAND RANK | JÄÄKÄRI | VÄRVÄTTY | KORPRAALI | ALIKERSANTTI | KERSANTTI | YLIKERSANTTI | VÄÄPELI | YLIÄÄPELI | SOTILAS- MESTARI |
| AIR FORCE | NO INSIGNIA | NO INSIGNIA |  |  |  |  |  |  |  |
| U.S. RANK TITLES | AIRMAN BASIC | AIRMAN | AIRMAN 1ST CLASS | SERGEANT | STAFF SERGEANT | TECHNICAL SERGEANT | MASTER SERGEANT | SENIOR MASTER SERGEANT | CHIEF MASTER SERGEANT |
| FINLAND RANK | MATRUUSI | NO RANK | YLMATRUUSI | ALIKERSANTTI | KERSANTTI | YLIKERSANTTI | PURSIMIES | YLIPURSIMIES | SOTILAS- MESTARI |
| NAVY |  | |  |  |  |  |  |  |  |
| U.S. RANK TITLES | SEAMAN RECRUIT | SEAMAN APPRENTICE | SEAMAN | PETTY OFFICER 3RD CLASS | PETTY OFFICER 2ND CLASS | PETTY OFFICER 1ST CLASS | CHIEF PETTY OFFICER | SENIOR CHIEF PETTY OFFICER | MASTER CHIEF PETTY OFFICER |

Figure 23. Enlisted Ranks and Insignia, 1987

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uniform, a service uniform, and a field uniform. The army dress and service uniforms were field-gray. The service uniform for army officers consisted of a field-gray jacket and trousers, a service cap, a silver-gray shirt, a field-gray four-in-hand tie, and black, low-quarter shoes. The service uniform became the dress uniform when augmented with breeches, riding boots, and a field cap. In winter, officer personnel wore field-gray overcoats and fur pile caps. Summer wear for enlisted personnel consisted of a shirt and trousers, combat boots, a scarf, and a visorless field cap. The field uniform was the service uniform supplemented by jackboots, a camouflage jacket, and trousers in summer—or white overalls in winter, along with a field cap or a steel helmet.

Air force uniforms were blue; the navy wore dark blue in winter and white in summer. Officers of the air force and the navy wore service uniforms of the same cut and style as army officers. The air force dress shirt was light blue, and the navy dress shirt was white.

Army officers wore shoulderboards designating by color the branch of service. Insignia of rank were worn on the lapels. Air force officers wore sleeve bars, and naval officers wore stripes that conformed closely to the rank insignia of the United States Navy (see fig. 22). Enlisted personnel wore chevrons against a background color designating the branch of service. Noncommissioned officer ranks were also worn on sleeveboards (see fig. 23).

Conditions of Service

The incomes of career military personnel were considered adequate, although not generous, in terms of the high standard of living in Finnish society generally. Officer and NCO salary scales combined with their allowances were intended to be equivalent to salaries in the civil service, which were regarded as somewhat lower than the remuneration for equivalent forms of employment in the private sector. As of 1986, the salary of a colonel was about Fmk13,000 monthly and that of a major general was about Fmk15,700 (for value of the Finnish mark—see Glossary). Family allowances, allowances for service under hardship conditions (e.g., during field exercises in the far north, on offshore islands, and at remote coast artillery sites), and special allowances (for certain categories of duty, such as those of aircraft pilots and naval personnel on sea duty) were also paid. The normal work week was forty hours; personnel through the rank of captain received overtime pay when on duty for longer periods. There was no extensive post exchange or commissary system. Most career military were

privately housed; those assigned to base housing were charged a moderate rent.

Officers attaining at least the rank of major were eligible for full retirement twenty-five years after graduating from the Military Academy. Promotion through the rank of captain was virtually automatic. Those who had attended the Military Academy could expect to attain at least the rank of major and probably that of lieutenant colonel, but subsequent promotional opportunities then narrowed sharply. As of 1986, there were 672 career majors and lieutenant commanders, 250 lieutenant colonels and commanders, and 88 colonels and naval captains. There were only fourteen major generals and rear admirals and eight lieutenant generals and vice admirals.

Some captains chose to retire after twenty years of career service when their partial pensions were (in 1986) between Fmk6,800 and Fmk7,800 monthly. One personnel problem caused by modest pay was the loss of military pilots to commercial airlines. An experienced pilot with the rank of captain could expect a total income of about Fmk14,000 monthly as of 1988. By resigning to fly for Finnair, he could raise his monthly income to about Fmk20,000.

Conscripts received no pay, but they were paid a modest daily expense allowance, a source of some dissatisfaction. It had, however, been progressively increased from Fmk6.75 in 1981 to Fmk17 in December 1987. Many conscripts complained that they had been forced to fall back on their personal savings during their eight to eleven months of active service. Conscripts were, however, entitled to educational loans at the conclusion of their service, as well as mustering-out bonuses and other benefits, including up to ten paid trips home on leave. They were guaranteed reemployment at the jobs they had held when they entered active duty.

Defense Spending

The combined budget of the Defense Forces and the RVL have remained fairly constant during the 1980s as a percentage of total government expenditures, in most years ranging from 5.5 to 6 percent. Defense costs generally constituted about 1.5 percent of gross national product (GNP—see Glossary), although they rose to 1.7 percent in 1983 before diminishing to 1.48 percent in 1987 as a consequence of budget cuts imposed on the Ministry of Defense. The defense budget totaled Fmk5.58 billion in 1987 and Fmk6.04 billion in 1988.

During the 1982-86 period, the principal expense category was equipment replacement and procurement (31 percent of the total budget), followed by payroll costs (25 percent). Upkeep of

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conscripts and training expenses averaged 13 percent of the budget; operations and maintenance, 16 percent; and real estate and other expenses, 15 percent. The procurement projection for the 5-year period, 1987-92, earmarked 48 percent for the army, 25 percent for the air force, 20 percent for the navy, and 7 percent for common-use equipment. This reflected increased emphasis on the acquisition of armor and firepower for the army and a diminishing rate of procurement for the air force. The air force share was expected to rise again after 1992, however, when the entire fleet of fighter aircraft was scheduled for replacement.

Although Finland's defense budget showed a slight increase during the 1980s, it failed to maintain the targeted annual real growth rate of 3.8 percent established by the Third Parliamentary Defense Committee in 1981. In both absolute and relative terms, Finland's defense budget continued to be among the lowest in Europe. A study prepared by the United States Arms Control and Disarmament Agency found that Finland's defense effort, expressed in terms of military expenditures as a ratio of GNP, was among the lowest of the developed countries of the world. Only Japan, Luxembourg, and Iceland had lighter defense burdens, based on 1985 data. Finland also ranked low in military expenditures per capita (US\$156 in 1984, calculated in 1983 dollars) and as a percentage of central government expenditures (one hundred twenty-third in the world in 1985).

These low budget outlays presaged future deficiencies in modern arms when existing equipment had to be replaced. As senior military leaders pointed out, costs of new weaponry were increasing at a rate of 5 to 15 percent annually on world markets, with the result that new procurements could not keep pace with equipment obsolescence and deterioration, especially in the army. Finnish analysts argued, however, that the budgeted figures somewhat understated Finland's real defense effort compared with other Scandinavian countries, because of the low conscript pay and the fact that certain military infrastructure costs as well as military pensions were not included in the defense budget. Moreover, the RVL, which would be an important adjunct to the military in an emergency, was included in the Ministry of Interior budget rather than in the defense budget.

The Armed Forces in National Life

The Defense Forces held a position of esteem and honor in Finnish society. This was accounted for in part by their reputation for valor, earned in preserving Finland's independence during the Winter War, and by the common military service experience of

male citizens. The long reserve obligation of a large part of the population also reinforced continuing interest in the effectiveness and the welfare of the military establishment. The obligatory period of service was perceived as an important unifying factor for Finnish society. Conscription was treated as an opportunity to provide civic education by deepening understanding of the history and the security policies of the country and to improve standards of behavior and good citizenship. One of the arguments advanced for national service for women was that the experience would help them, as citizens, to comprehend national security issues better and to view the military in a positive light.

Opinion surveys revealed a high degree of public confidence in the Defense Forces and a willingness to provide the necessary resources for an effective defense. Polls generally found that over 75 percent of Finns agreed that the country should be willing to go to war to defend itself. (Among conscripts, 95 percent supported a firm defense against aggression.) In 1988 one-half of those queried were in favor of the existing level of defense appropriations, while one-third believed they should be increased, and only slightly more than one-eighth thought they should be reduced. The need for a sufficient level of military readiness was accepted by all major parties represented in the Eduskunta; only communist factions had urged curtailing defense expenditures, arguing that any future war was bound to be nuclear, making preparations for a conventional conflict of little avail.

The Defense Forces were often prominently involved in public events, helping to organize and to stage large sports competitions, ceremonies, conferences, and exhibitions. In most communities, there were guilds connected with military units, often those linked to the area by long tradition, that brought together older and younger veterans. The Defense Council was active in furthering the public's knowledge of defense issues, and by the late 1980s about 20,000 Finns, prominent locally or nationally, had attended courses under its direction. About 20 percent of those receiving instruction attended a course lasting nearly a month; the remainder attended a one-week course.

The Finnish military establishment had intervened in politics during the Civil War of 1917-18 and during the subsequent clashes between the right and the left wings in the 1920s. In the period preceding World War II, leaders of the armed forces had sought to convince the government and the public to initiate military preparedness for the impending conflict. Since the end of the war, however, the constraints of the 1947 peace treaty and the FCMA treaty, together with the authority asserted by civilian governments,

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have discouraged direct involvement by the military in politics. The career military were forbidden to join political parties or to run for political office while on active duty. They were, however, permitted to vote and to hold office at local levels, such as membership on municipal boards, which did not require party affiliation.

During the 1980s, the public profile of the senior members of the armed forces was generally low; the leadership confined itself to restrained comments when it felt this was needed to draw attention to the inadequacy of defense appropriations. The impact of the military on issues affecting national security was, nonetheless, significant. Its opinion was highly respected, in part as a legacy of the Winter War and in part as a result of the direct experience of the entire male segment of society with matters of national defense. Observers believed it probable that a large majority of the representatives in the Eduskunta (parliament) held officer commissions in the reserves. Views of the senior commanders were accorded serious attention by top policymakers and legislators. Reserve officer associations in every part of the country formed a strong constituency sympathetic to the interests of the military.

There appeared to be little sentiment among the public that the military enjoyed excessive influence in the Finnish political system. In a survey taken in 1984 concerning the power of various institutions, over 75 percent of those polled felt that the armed forces exercised the right amount of power; only 15 percent thought that they held too much power. In this respect, the public's estimate of the military was more positive than its estimate of any of the other institutions of government and society, except the presidency itself.

United Nations Peacekeeping Activities

Finland has taken an active role in United Nations (UN) peacekeeping matters as a means of demonstrating its interest in the maintenance of international peace. Because of their unimpeachable behavior in conformity with Finland's neutral status, Finnish troops have almost invariably been welcomed as elements of UN peacekeeping forces by the parties involved in international crises. A law enacted in 1964, defining the conditions of Finnish participation, limited the maximum number of soldiers serving at any one time to 2,000. Regular troops of the Defense Forces could not be sent abroad, so the peacekeeping forces were composed of volunteer reservists, career officers, and NCOs who wished to be detached from their units to serve with UN contingents. A six-month rotation was customary, but many reservists had volunteered for repeated service. By the late 1980s, some 20,000 Finns had served

in UN peacekeeping missions. Specialized instruction was provided at a permanent training site where clothing and equipment were stored for immediate availability. A stand-by force, consisting of a reserve motorized infantry battalion of approximately 700 men, could be prepared for mobilization anywhere in the world within four weeks. Its key officers could be in place much sooner. Officer training for the special requirements of UN service was conducted on a cooperative basis with other Nordic countries. Finland was responsible for training military observers; Sweden trained staff officers; Denmark, military police officers; and Norway, logistics and transportation officers.

Within a year after its admission to the UN in 1955, Finland sent a reinforced rifle company of 250 men as part of the UN Emergency Force (UNEF) based in Egypt for service in the Sinai and the Gaza Strip. In 1964 a reinforced battalion with a strength of 1,000 men was attached to the UN Force in Cyprus (UNFICYP). It was composed of five light infantry companies and a support company, armed with rifles, machine pistols, light machine guns, mortars, and bazookas. Later Finnish contingents were organized and equipped in similar fashion, with the addition of a vehicle repair unit, a field hospital, and most transport, signal, and housing requirements.

Finnish units served from 1973 to 1979 in a buffer zone between Israel and Egypt in the Suez Canal area as part of the UN Emergency Force II (UNEF II), after which the contingent was transferred to the Golan Heights between Israeli and Syrian forces as part of the UN Disengagement Observer Force (UNDOF). Beginning in 1982, a Finnish battalion was assigned to serve with the UN Interim Force (UNIFIL) in southern Lebanon. As of late 1988, about 1,000 members of the Finnish armed forces were serving on peacekeeping missions. In addition to the UNIFIL battalion, they were assigned as cease-fire observers in Cyprus, along the India-Pakistan border, in the Sinai, on the Golan Heights between Israel and Syria, in the Persian Gulf, and in Afghanistan. Finland was also committed to contribute to the UN peacekeeping force to be sent to Namibia.

Sources of Equipment

By the late 1980s, nearly 40 percent of Finnish military equipment purchases were of domestic manufacture, the remainder being imported about equally from Soviet and Western sources. The Soviet Union was the largest single source, followed by Sweden, France, Britain, and the United States. Finnish industry was capable of supplying many of the Defense Forces' needs for explosives and

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ammunition, light weapons, mortars and artillery, ships, and transport. Low-level radar and many other electronic items were also being produced locally. Finland continued to be dependent on foreign suppliers for jet aircraft and helicopters, missiles, tanks and most armored vehicles, and antiaircraft systems.

Arms Acquisitions from Foreign Suppliers

Until the late 1950s, strained economic conditions precluded the refitting of the Finnish armed forces, which had to be content with the large stocks of munitions and equipment remaining at the end of World War II. As the economy strengthened, a political decision was made to modernize the armed forces so that they could defend Finnish neutrality credibly. The government allocated a modest amount for new equipment in 1955, and it enacted a major new appropriation in 1957. These procurements stimulated a revival of the small Finnish armaments industry, although most major items continued to be acquired from abroad. Britain was initially the primary source of supply, providing tanks, aircraft, and a training ship. Jet trainers were purchased from France and Sweden, and antiaircraft guns and fire control systems were obtained from Switzerland. The decision reached in 1959 to rely more heavily on arms procurements from the Soviet Union was partly a political effort to demonstrate Finnish neutrality by balancing purchases from the East and from the West. Economic factors also played a part. Finland's trade with the Soviet Union was based on bilateral balancing, and imports from the Soviet Union had to be found to compensate for the high level of Finnish exports. Favorable credit terms offered by Moscow were a further attraction (see *Foreign Economic Relations*, ch. 3).

Among the heavy weapons deliveries from the Soviet Union during the early 1960s were T-54 and T-55 main battle tanks, armored personnel carriers, self-propelled antiaircraft guns, and artillery pieces. The political crisis sparked by a Soviet call for consultations under the FCMA treaty in October 1961 convinced Helsinki that further efforts must be made to build up the nation's air defenses in order to demonstrate its determination to resist violations of its neutrality. Accordingly, an order was placed with the Soviet Union for thirty-five MiG-21Fs and associated Atoll air-to-air missiles. Since the MiG fighters did not have an all-weather capability, the Finnish air force turned to Sweden for Saab J-35 Draken all-weather interceptors; the first of these aircraft were delivered between 1972 and 1977. Beginning in 1981, the MiG-21bis, an all-weather fighter with a more powerful engine, was introduced to replace the MiG-21F. It was armed with a more advanced

version of the Atoll missile. Extensive new purchases for the modernization of the armored forces began in 1981 with the acquisition from the Soviet Union of armored personnel carriers, followed later by T-72 tanks, armored transports, and BMP-1 assault tanks.

By the mid-1990s, the entire combat air force of Draken and MiG fighters will need replacing, and observers have surmised that the Soviet MiG-29 will be one of the models selected. Financing the purchase would be facilitated by the fact that an imbalance had developed in Finnish-Soviet trade as a result of the drop in the price of Soviet crude oil deliveries. Financing of a Western model, possibly the Swedish JAS-39 Gripen, was expected to present a difficult budgetary hurdle.

Finland was eligible to purchase matériel under the Foreign Military Sales Program of the United States Defense Department. Its principal acquisitions from the United States were advanced electronic equipment and I-TOW (improved tube-launched, optically sighted, wire-guided) antitank missiles.

Domestic Arms Production

Finland's own production capacity had gradually expanded beginning in the 1960s. Among the arms manufactured domestically were the M-60 122mm field gun, the M61/37 105mm howitzer, the M-62 assault rifle (a highly regarded redesigned version of the Soviet AK-47), and the M-62 light machine gun, the basic infantry weapons of the Finnish army. Domestic shipyards turned out all of the vessels needed by the navy, although much of their advanced electronic equipment and weaponry was imported. Earlier, a number of ships had been purchased from the Soviet Union and from Britain and had been modified in Finnish yards for minelaying and other special requirements. The only aircraft entirely of Finnish manufacture was the Valmet L-70 Vinka basic trainer. Another Valmet design, the Redigo, had been marketed abroad as a basic trainer without success. Analysts expected that the Finnish air force would acquire it as a light transport in the early 1990s. The British Hawk advanced jet trainer and later consignments of the Draken were assembled at the Valmet plant.

An all-terrain truck, the KB-45 manufactured by Sisu-Auto (SISU), was used by the Finnish army as a gun tractor and personnel carrier and by Swedish and Finnish peacekeeping forces in the Middle East. SISU also manufactured the SA-150 Masi all-terrain truck and the NA-140 Nasu adverse terrain vehicle. The SISU A-180 Pasi, a newly designed six-wheeled amphibious armored personnel carrier, had been introduced into the army, and several hundred were on order as of 1988.

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By 1988 the Finnish arms industry consisted of about twenty firms, most of them small subsidiaries of conglomerates primarily oriented toward civilian markets. The Ministry of Defense had its own plants for the manufacture of munitions and for the modernization of heavy equipment such as the T-55 tank. In addition to SISU and Valmet, one of the larger private manufacturers was Tampella, which produced field artillery, mortars, turret guns, and grenade launchers. Most of the missile boats were constructed by the Hollming shipyards in Rauma and at Wärtsilä's yards in Helsinki, although their weapons systems were acquired abroad.

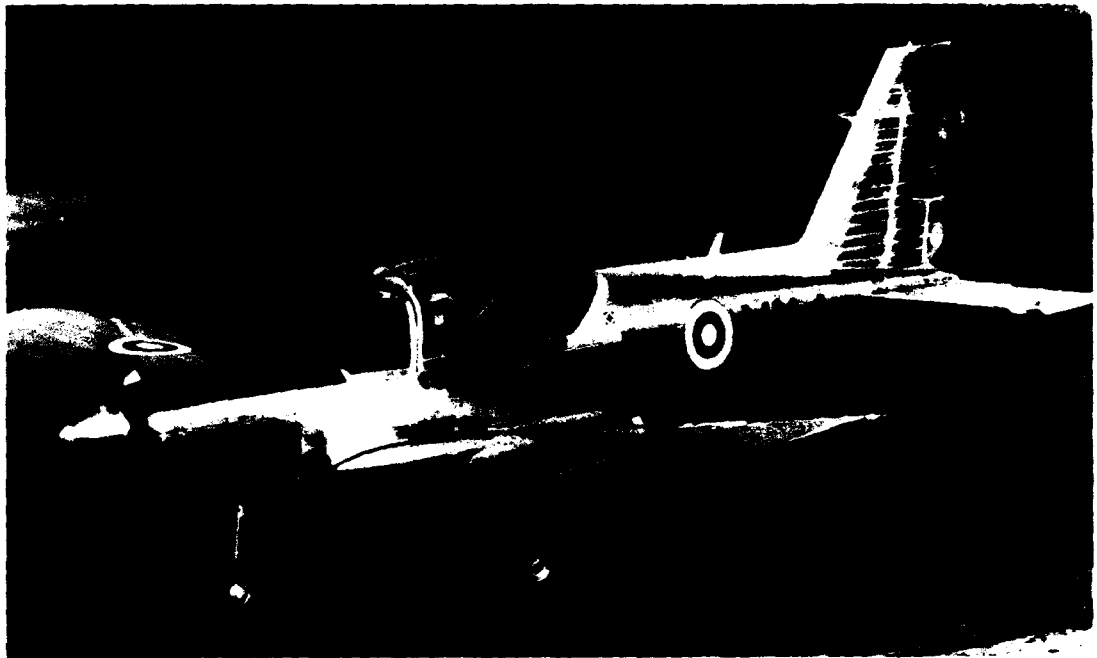
Finnish arms exports were a minor item in the balance of trade, amounting to only Fmk60 million in 1986. Nearly half of these exports were to NATO countries, most of the remainder going to neutral developed countries such as Sweden. About half of the export total consisted of gunpowder. Ammunition, artillery shells, and assault rifles composed most of the remainder.

Civil Defense

Under the Civil Defense Act of 1958, the Ministry of Interior was directed to provide civil defense to protect persons and property in wartime as well as in peacetime. The act stipulated that the ministry was to be responsible for providing shelters in high-risk areas, for evacuating civilian population from threatened areas, and for limiting damage from natural disasters. In emergency situations, firefighting, rescue, ambulance, and first-aid services were coordinated with the civil defense effort. Civil defense operations were entirely a civilian responsibility.

The ministry delegated the implementation of national policy to county and municipal authorities, which acted through locally appointed civil defense boards. These boards supervised operations from more than 100 civil defense centers designated throughout the country. Personnel in national and local government agencies, committed to civil defense in emergency situations, and in independent voluntary organizations that would come under their jurisdiction numbered over 100,000. Nongovernment organizations involved in civil defense activities included the Finnish Red Cross and the Rescue Service. Police were also assigned to reinforce civil defense workers as conditions required.

An alarm system was in place in urban centers to warn the civilian population of threatened attacks. During an emergency situation, instructions would be broadcast through normal media channels. The early warning civil defense system was tied into the nationwide military air surveillance system.



*Finnish-built L-70 Vinka elementary trainer produced by Valmet
Courtesy General Headquarters, Finnish Defense Forces*

The Ministry of Interior maintained hard shelters, capable of accommodating 2.6 million persons, in cities and in other densely populated areas where two-thirds of the country's population lived. They were built to withstand the detonation of a 100-kiloton nuclear bomb at ground zero. There was no shelter program in rural areas nor were most detached dwellings and townhouses equipped with shelters. About 10 percent of the shelters were carved out of natural rock, but most were beneath office and residential buildings. Some were designed for multiple use as parking garages, schoolrooms, skating rinks, and swimming pools. By law, builders were obliged to include shelters in blocks measuring 3,000 cubic meters or more. In Helsinki, 536,000 spaces were provided, of which 118,000 were in large rock shelters and 14,000 were in subway stations. The shelter space was sufficient to accommodate over 100 percent of the nighttime population of the city, but only 67 percent of the daytime population.

The most serious shortcoming of Finland's civil defense system was that 1.5 million Finns had no access to shelters. Another reason for concern was that many shelters were poorly equipped and maintained. All shelters were supposed to be outfitted with self-contained power and ventilation systems, sanitary facilities, and emergency supplies. Nevertheless, inspections during 1986 found that two-thirds of shelters in private buildings had some deficiencies.

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Contingency plans included massive evacuation of civilians from likely target areas, threatened with attack by conventional forces in time of war. Medical services for civilian casualties would be provided at local facilities in coordination with the civil defense branch of the Ministry of Social Affairs and Health. Civil defense authorities considered, however, that evacuation of the civilian population to escape fallout following a nuclear attack would be pointless, and no provision was made for such a contingency.

The public's perception of civil defense efforts was marked by considerable indifference during the 1980s. Although its system was far more complete than the systems in most countries of Western Europe, Finland's annual expenditure per capita on civil defense of US\$12 was well below the rate of other Scandinavian countries, which averaged US\$20 per capita. The nuclear accident at Chernobyl in the Soviet Union in 1986 underscored Finland's vulnerability and triggered renewed concern over shortcomings in the civil defense program. In response, the government announced plans in 1988 to introduce an automatic radiation surveillance network to supplement the existing manual one and to ensure that an outdoor alarm system was operational in all municipalities.

Public Order and Security

Responsibility for law enforcement and for the maintenance of public security rested entirely with the central government. No police forces were maintained by lower levels of government. The minister of interior exercised control over all police forces through the Police Department, one of the departments of the Ministry of Interior. It functioned as the central command unit supervising the two types of ordinary police forces—town police and rural police—as well as three special police units, the Central Criminal Police (Keskusrikospoliisi—KRP), the Mobile Police (Liikkuva—LP), and the Security Police (Suojelupoliisi—SUPO). The total personnel complement of the police, as of late 1988, was 8,341, of whom approximately 200 were women.

The RVL, a paramilitary force with responsibilities for guarding Finland's borders and for maintaining public order and safety in frontier and coastal areas, was also under the supervision of the minister of interior in peacetime. Its headquarters was the Frontier Guard Department, a separate division within the ministry. The personnel strength of the RVL was roughly half that of the police.

Police Organization

Chambers of Police were established in 1816 in Turku, and later in other large towns. These chambers had the duty of keeping

order, preventing crimes and breaches of the peace, and acting as courts for minor offenses. Although the term "police department" was officially adopted in 1861, police forces retained their judicial powers until 1897. In 1903 and 1904, the town police became part of the state administration, although until 1977 towns still had the responsibility of contributing one-third of some costs of police service.

In rural areas, provincial governors had traditionally appointed sheriffs, often poorly educated and inefficient peasants, who frequently did not have regular deputies. Only in 1891 did a decree provide for each sheriff's office to have a number of state-employed constables. The Police Act of 1925 brought town and rural police under the same set of regulations. Previous legislation and regulations pertaining to the police were superseded by the Police Act of 1967, a comprehensive law covering all police activities. Amendments in 1973 established advisory committees of laymen to help improve relations between the police and the general public. The 1973 law also defined the structure of the Police Department in the Ministry of Interior.

The Police Department of the Ministry of Interior was both the supreme command of the police and an operational arm for special functions carried on at a centralized level. Among the most important of these was directing three special police forces, the KRP, the LP, and SUPO (see fig. 24). A superintendent of police headed each provincial police office, which had operational command over local police units but had no police forces directly under it. Most prosecutors were part of the police system. The provincial superintendent of police was, at the same time, the provincial prosecutor who prosecuted the most serious crimes. Sheriffs were local administrative officers, acting as prosecutors in lower courts, as debt collectors, and as notaries public. Town police departments, headed by police chiefs, numbered twenty-seven in 1988. There were 225 rural police districts headed by sheriffs.

The organization of individual police departments varied depending on the size of the community and on its particular public safety problems. Departments generally had sections that dealt with public order and safety, accidents, driver's permits, criminal investigation, social problems (investigation of crimes against the Narcotics Act and violations of the Temperance Act), the civil register (population records, passports and identity cards, alien supervision), and a unit for preventive police work among youth. In communities large enough to be divided into precincts, the precinct officers conducted investigations of minor crimes, placed drunks

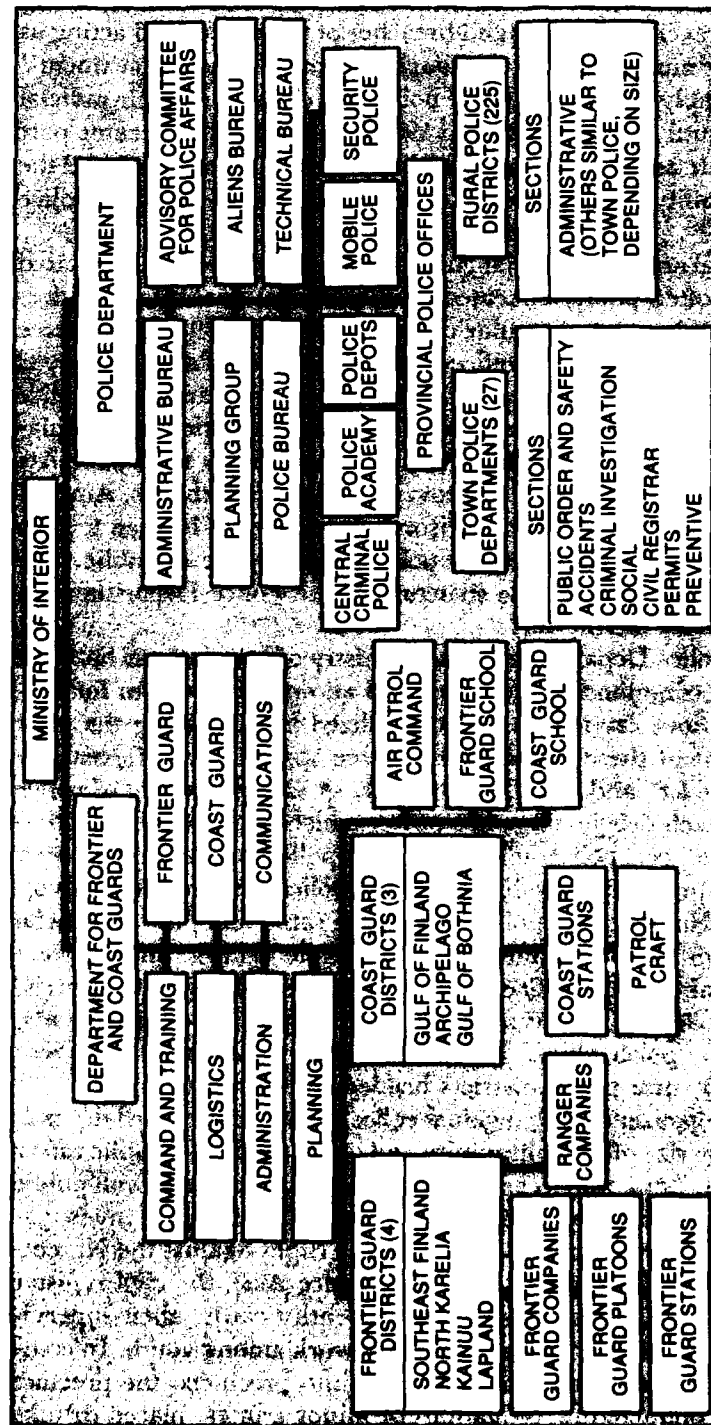


Figure 24. Police and Frontier Guard Organization, 1988

in sobering-up cells, and supervised public facilities, including train and bus stations.

Larger rural police districts had similar divisions, with the addition of an administrative division to handle permits, debt collections, fines, and similar matters. The majority of the districts were small, however, with a staff of only ten or twelve policemen and no divisional organization.

Central Criminal Police

The Central Criminal Police (Keskusrikospoliisi—KRP) was formed in 1954 to assist the country's other police elements in efforts against crime, particularly that of a serious or deeply rooted nature. A special concern of the Central Criminal Police was white collar crime. To carry out its mission, the force had advanced technical means at its disposal, and it maintained Finland's fingerprint and identification files. In addition to working with local police forces, the KRP operated independently throughout the country.

Mobile Police

The Mobile Police (Liikkuva Poliisi—LP) was formed in 1930 to operate throughout the country to prevent smuggling, to control highway traffic, and, above all, to be ready at a moment's notice to assist local police forces in quelling civil disturbances. With a complement of 724, as of 1988, the LP had a department in each province and command units in larger communities. Its main functions, in addition to its responsibility for traffic regulation and vehicle inspection, were to prevent the illegal importation and the manufacture of alcohol and drugs, to enforce hunting and fishing regulations, and to assist other police units in investigations and in apprehension of fugitives. The LP also provided security for the nation's president, passport control at the Soviet border, and security at the Helsinki international airport.

Security Police

The Security Police (Suojelupoliisi—SUPO) had its headquarters in Helsinki, but it maintained bureau and district offices in various parts of Finland. Formed in 1948, it replaced a similar police force dating from the late 1930s. Its function was to investigate crimes and offenses against the law and order of the state, including subversion, conspiracy, and espionage. SUPO had, in addition, certain responsibilities for safeguarding classified government documents and for checking on foreign citizens visiting or working in Finland. It conducted liaison with security and intelligence organizations of other countries. Agents of SUPO did not have

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the right to make arrests or to detain anyone, nor were they authorized to search private residences. Anyone suspected by SUPO of having committed a crime was dealt with by a criminal investigation unit.

The country faced few internal security problems. It continued to be a homogeneous nation with only 20,000 foreign residents and an immigration quota of 200 people a year. Admittance was denied to job seekers from Third World countries. The few Soviet defectors who managed to escape across the border into Finland were carefully screened, and most were sent back. A few were granted asylum as political refugees; others succeeded in reaching Sweden before being apprehended by Finnish authorities.

Police Training

Competition for employment by the police was keen. Fewer than 10 percent of the average of 3,500 who applied annually were accepted for training. Candidates were required to have completed secondary school and to have emerged from military service with at least an NCO rank. The five-month police cadet course was given at the Police Training Center at Tampere. The course was followed by twelve to eighteen months of active police work, after which policemen returned to the center for six months of further training. Completion of this phase led to the rank of senior constable.

Advanced police training was conducted at the Police Academy in Otaniemi near Helsinki. The five-month NCO course provided instruction in such fields as police administrative law, criminal law, criminal trial law, civil law, police tactics, psychology, and forensic medicine. Those completing the course advanced to the rank of sergeant. An eight-month course for officers led to the rank of lieutenant, and a four-month commanding officers' course prepared candidates for police chief's duties.

Frontier Guard

The Frontier Guard (Rajavartiolaitos—RVL) was considered an elite force, organized, even in peacetime, along military lines into companies and platoons; its personnel held military-type ranks. The RVL was established in 1919, and it was placed under the Ministry of Interior. The Coast Guard (sometimes called the Sea Guard), dating from 1930, was also under the Ministry of Interior and was made part of the RVL in 1944. In a time of crisis or war, authorities could integrate the entire RVL, or parts of it, into the Defense Forces. The peacetime tasks of the RVL were to guard and to patrol national boundaries; to work with the police in maintaining public order and safety in frontier and coastal areas; to

prevent and, if necessary, to investigate frontier incidents; and, together with the Customs Office, to exercise customs control. The RVL patrolled a special frontier zone of three kilometers on land and four kilometers at sea along the Finnish-Soviet border. A permit was required to enter this zone.

The personnel complement of the RVL, as of 1988, was about 3,500; an additional 1,000 conscripts were assigned to it. Coast Guard personnel numbered 600; no conscripts served with the Coast Guard. The RVL was divided into four districts, and the Coast Guard was divided into three. Each district was composed of three or four frontier companies, a ranger or commando company, and a headquarters platoon. Actual patrolling of the border was conducted by the frontier companies, which consisted of two to four frontier platoons. Each platoon manned one to three RVL stations. The ranger companies, which served as training units for the conscripts, were located at the district headquarters. Only career personnel participated in regular boundary patrolling. A separate Air Patrol Command was equipped with Agusta Bell Jet Ranger light helicopters and Aérospatiale Super Puma medium helicopters, the latter with an antisubmarine warfare role in wartime.

Basic training of the RVL was conducted at the Frontier Guard School at Immola in the municipality of Imatra and at the Coast Guard School at Otaniemi. NCOs received their training mainly at the Defense Forces' NCO school; officer training was carried out at the Military Academy and at other military schools. Conscripts received their ranger training in the districts where they were assigned. Conscripts admitted to the RVL were required to be in top physical condition, and they were usually residents of border areas. Opportunities offered to RVL conscripts for training as reserve NCOs and officers were similar to those offered in the Defense Forces (see *The Armed Forces*, this ch.).

Under wartime conditions the RVL would be organized into special Frontier Jaeger Battalions. Their mobilized strength would be about 11,500. Their tasks would be to operate against key targets in the enemy's rear and to defend against enemy airborne or other penetration of Finnish rear areas. The Coast Guard did not have a reserve component, but several of its larger patrol craft had a submarine tracking capability, and they could be rapidly converted for antisubmarine warfare and minelaying and minesweeping operations.

Each Coast Guard district consisted of a headquarters platoon, three Coast Guard areas (each comprising two to six Coast Guard stations), and Coast Guard vessels. Its fleet consisted of 7 offshore

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patrol craft of between 135 and 700 tons displacement and 53 smaller coastal patrol craft.

Criminal Justice System

The Swedish penal code was retained in Finland until 1889, when the Grand Duchy of Finland adopted a new code that was derived from the familiar Swedish practice but allowed for more precise definition of crimes. Judges were given considerable latitude in interpreting the law, but the new code limited the punishments that could be exacted for particular categories of offenses. Although frequently amended over the ensuing decades, the Penal Code of 1889 remained in force in the 1980s. In 1977 the government authorized establishment of the Penal Law Committee to study the system of corrections and to reconsider the principles on which criminal policy was based in order to make recommendations for revisions in the penal code. No action had been taken on penal code reform as of 1988, however.

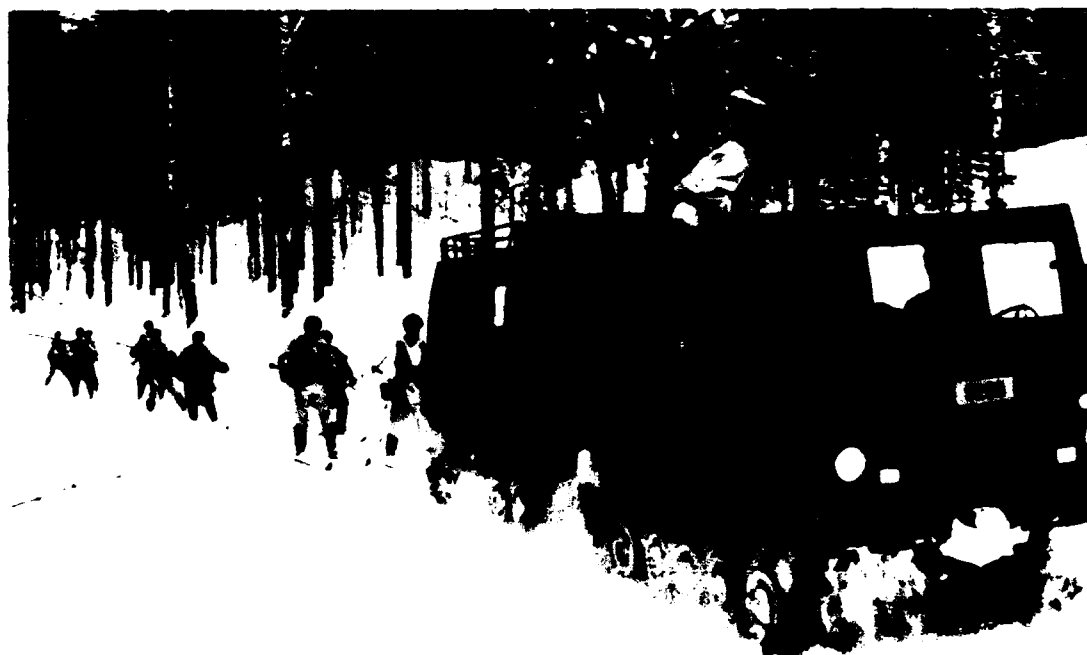
Principles of Criminal Justice

Finnish thinking on criminal policy as it evolved in the 1980s regarded the punishment of offenders essentially as society's reproach to the criminal. In the abstract, the type and the length of punishment prescribed by law were considered indicative of the norms of society regarding the seriousness of the offense and the potential threat posed to society by the offender. In practical terms, punishments were standardized, and they were imposed consistently for all categories of crimes, in the interest of ensuring equality in the application of the law. For this reason, the penal code restricted the discretionary power of the courts in imposing sentences.

Imprisonment was not regarded as benefiting the offender, nor was the length of time in an institution to be set on the basis of need for treatment; it was accepted that punishment was detrimental and should be used sparingly. Thus, the tendency has been to rely on light punishment, especially on fines, and to emphasize short sentences of a few weeks or months.

In addition to ensuring that sentences were equal and proportional, the penal code advised that sentences imposed should not cause the "unregulated accumulation of sanctions," that is, when assessing punishment, courts should avoid several sanctions' being imposed—such as dismissal from office, or revocation of a driver's permit—as the result of a single offense. The courts were also expected to ensure that punishment was not extended indirectly to the offender's family.

The tendency since the early 1970s has been to decriminalize



*Frontier Guards in bivouac during winter patrol
 Courtesy General Headquarters, Finnish Defense Forces
 Ski troops towed by a Swedish-built Bandvagn
 206 multipurpose tracked vehicle
 Courtesy General Headquarters, Finnish Defense Forces*

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a number of actions formerly indictable under the penal code. The modifications in the code reflected changing priorities in assessing the seriousness of criminal conduct, changing norms of social behavior, and an attempt to distinguish between premeditated crime and spontaneous actions. Among the acts decriminalized were creating a public disturbance because of drunkenness as well as certain offenses against property, such as petty theft. Homosexual acts between consenting adults also ceased to be regarded as a criminal offense. Stiff penalties for offenses against persons, for threatened violence against persons, and for drunken driving remained unaffected, however.

Finland has been less willing than other Scandinavian countries to replace punishment with other measures, such as treatment-oriented institutions for repeat offenders. Under legislation enacted in 1931, offenders "dangerous to private or public safety" could be confined in a separate institution for recidivists after their sentences had expired. In 1971 the law was amended so that property offenses could no longer be considered grounds for indeterminate incarceration, and conditions under which violent offenders could be so confined were more narrowly defined. As a result, the number of offenders held in internment of any kind fell dramatically, from nearly 400 in the 1960s to fewer than 10 in 1984.

Criminal Courts

Criminal courts of the first instance were of two types, each having jurisdiction in distinct areas and each following separate procedures. The first type of court provided criminal justice in thirty "old towns," including Helsinki. These long-established town courts consisted of three professional judges—one of whom presided—and two lay jurors from the city council. Circuit courts, the second type, exercised jurisdiction in rural districts and in cities incorporated after 1958. The latter category included Espoo and Vantaa, Finland's fourth and fifth largest cities, respectively, located in the greater Helsinki metropolitan area. More than 140 circuit courts in 71 judicial districts formed this system. Circuit courts were conducted by a professional judge, assisted by five to seven jurors elected for the term of the court by the local municipal council. Public prosecutors for both kinds of courts determined whether to press charges against persons accused of offenses solely on the basis of evidence presented by police investigation.

Criminal cases were heard in continuous sessions by both types of courts of the first instance. Verdicts were determined by the vote of the panel of judges and jurors. A two-to-one majority was sufficient in three-member town courts. In circuit courts, however, the

verdict of the presiding judge prevailed if the jurors failed to reach a unanimous decision. Measures were pending in 1988 to harmonize court procedures.

Cases involving criminal offenses by on-duty members of the Defense Forces were tried in fifteen special courts of the first instance presided over by a panel of military judges. These courts-martial were integrated into the criminal courts system.

Appeals from the courts of the first instance were heard in six three-member regional courts of appeal that were also responsible for supervising the lower courts. When a panel considered appeals from courts-martial, two military judges were added. About two-thirds of the business of appeals courts involved criminal cases. The Supreme Court, which ordinarily sat in panels of five members, handled final appeals from criminal cases. Permission to appeal was, however, granted by a three-member panel. Because of a tendency by the Supreme Court to limit the cases reviewed to those having value as precedents, the courts of appeal had become increasingly important in criminal matters.

Criminal actions were preceded by a police pretrial investigation. A suspect could be detained by the police for questioning, without access to a lawyer, for three days; this period could be extended to fourteen days, for special reasons on proper authority and with notification to the court. Reforms scheduled to take effect on January 1, 1989, shortened the maximum detention to seven days, with access to a lawyer. The institutions of habeas corpus and bail did not exist as such. Those accused of serious crimes were required to remain in custody. Those accused of minor offenses could be released on personal recognizance at the court's discretion. Preventive detention was authorized only during a declared state of war for variously defined offenses, such as treason or mutiny.

Court proceedings were conducted by the presiding judge, who normally also questioned witnesses. The entire written court record was used as the basis for proceedings in the courts of appeals. Oral hearings were conducted only in those criminal cases in which courts of appeal had original jurisdiction, such as criminal charges against certain high officials. Neither the accused nor his counsel was present when a case was considered by the court of appeal. An accused person had the right to effective counsel. Persons lacking sufficient funds were entitled to free proceedings so that their attorneys' fees and direct costs were borne by the state. Local courts could decide to conduct a trial behind closed doors in juvenile, domestic, or guardianship cases, or when publicity would offend morality or endanger state secrets.

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Incidence of Crime

According to official Finnish data for 1986, the largest group of crimes covered by the Criminal Code was crimes against property (75 percent of the total); theft alone accounted for 42 percent, and embezzlement and fraud for 15 percent. Drunken driving constituted 9 percent of all Criminal Code violations, and crimes against personal safety, mostly assaults, accounted for 7 percent.

During the 1970s, the crime rate showed a rising trend corresponding to the growing affluence of the country and to the shift in population from the rural north to the urban south. After the mid-1970s, however, the rate for many crime categories leveled off; in some cases it even fell. Robberies decreased during the 1980s, and bank robberies were infrequent, only sixteen cases being recorded in 1986. Assaults increased somewhat during the same period, roughly parallel to the increase in alcohol consumption. Embezzlements and fraud increased noticeably, in part as a consequence of the mass introduction of credit cards in the 1980s. Drunken driving offenses slackened off relative to the number of automobiles, from a rate of 161 per 100,000 cars in 1977 to 122 per 100,000 cars in 1985. This was due both to stricter controls and to an absolute decrease in the number of drunken drivers.

In 1986 the number of murder and manslaughter cases investigated by the police amounted to 143. The homicide rate of 3 per 100,000 of population was considered to be high by European standards. Finland's rate of assault was more than three times the rate of Denmark and Norway, but similar to that of Sweden. Finland, however, experienced the lowest theft rate of all the Scandinavian countries; this appeared to be explained by differentials in the level of prosperity, urbanization, and population density among the nations. Finland was also lowest in narcotic offenses (see Drug Enforcement, this ch.).

Sentencing and Punishment

Prison sentences for criminal offenses were of three kinds: fully fixed terms of fourteen days to three months; fixed terms of three months to twelve years, with the possibility of release on parole for the equivalent of the remainder of the original sentence; and life terms, which had no minimum time but which allowed release only upon pardon by the president. Courts could also render a conditional sentence, specifying a term of imprisonment, but establishing a probation period for the same duration. If no new offense was committed, the execution of the sentence would be considered complete.

Since the early part of the nineteenth century, capital punishment has been virtually abolished in practice. After Finland's independence in 1918, capital punishment was only enforced in wartime, although it was not until 1949 that it was formally proscribed in peacetime. In 1972 executions were abolished. In practice, life imprisonment was reserved for the crime of murder. As of the end of 1984, only twenty-seven prisoners were serving life terms. Those under life sentence were generally pardoned after ten or fifteen years. The average number of convictions for murder had been steadily diminishing, from forty-six annually in the early 1920s to eleven in the late 1970s.

Fines were the most common form of punishment, constituting 90 percent of all sentences when minor traffic offenses were included. In addition to traffic offenses, fines were commonly applied in cases of petty theft and petty assault. The actual amount of a fine depended on the income and wealth of an individual. Thus, a fine for speeding, normally about US\$70, could be assessed at US\$20 for an indigent and at well over US\$1,000 for a single person with a high salary.

Of 299,000 persons sentenced in 1986, less than 9 percent (26,000) were given prison terms, of whom fewer than half (11,300) received unconditional sentences. The remainder were sentenced to a fine together with a conditional prison term. A considerable proportion of the latter category were persons convicted of aggravated drunken driving. The median length of unconditional prison sentences was 4.1 months in 1985. Typical sentences were, for theft, 3.4 months; for forgery, 8.0 months; for robbery, 9.5 months; for aggravated assault, 8.7 months. About 95 percent of sentences were for under 2 years.

The daily average prison population was marked by a downward trend, from 5,600 in 1976 to about 4,200 in 1986. But the prisoner rate of 86 per 100,000 of population in 1986 was still much higher than rates in other Nordic countries and in Western Europe in general. Since the crime rate in Finland was rather low in comparison with the other Nordic countries, it appeared that the higher rate of incarceration was the result of a high rate of solved crime, a greater use of unconditional sentencing, and longer prison terms.

There were two types of prisons—closed prisons and open institutions. The latter were classified as either permanently located open prisons or as labor colonies established for a limited period of time for the performance of certain work. Sentences for the non-payment of fines as well as sentences of up to two years were served in open institutions, if the prisoner was physically able to perform the work and if the danger of escaping was minimal.

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The criminal justice system applied only to offenders over the age of fifteen. Those under that age were placed under the custody of child welfare authorities. Juveniles between fifteen and eighteen years of age were customarily accorded a reduced sentence, and offenders between fifteen and twenty-one were more likely than adults to receive conditional sentences. Those in this age group who were sentenced to an unconditional term of six months to four years might be sent to a special juvenile prison. Such institutions were meant to have a training and education function, but in practice they did not differ greatly from ordinary prisons.

Drug Enforcement

Narcotics abuse and trafficking were relatively small problems, ranking below other social problems, such as alcohol abuse. The narcotics units of the KPR were responsible for overseeing drug enforcement throughout the country. Altogether, there were about 150 officers working in drug enforcement, half of whom were attached to the Helsinki police. Drug seizures by police numbered 200 to 300 annually, but they accounted for only about 3 percent of the drugs consumed in the country. About half of the seizures consisted of heroin. Police estimated that more than 60 percent of all illicit narcotics entering Finland in the late 1980s had originated in Denmark. The most common carriers were returning Finnish workers living outside the country, particularly in Sweden.

Finnish laws prohibited the use, the possession, and the sale of any drugs that were not approved pharmaceutical products, and the laws dealt severely with all drug-related offenses. No formal distinction was made regarding the quantity or the potency of drugs involved or regarding whether possession was for personal use or for sale. In practice, courts assessed penalties according to the type of drug; first offenders, possessing drugs for personal use alone, usually received probation and/or a fine. The annual number of sentences for narcotics offenses ranged from 369 in 1981 to 1,070 in 1985. Nearly half of these cases involved only drug use, the principal drug (73 percent of offenses) being marijuana. Although the number of persons sentenced was obviously rising, observers believed that the use of narcotics was diminishing. The higher arrest rate was a result of a widened definition of what constituted a narcotics offense and to more effective police control.

* * *

A comprehensive overview of the contemporary organization and doctrine of the Finnish Defense Forces can be found in the 1988

work by Tomas Ries, *Cold Will: The Defence of Finland*. The first part of this study provides an account of the combat experience of the armed forces in the Civil War of 1918 and in the Winter War and Continuation War of 1939-44. Friedrich Wiener's *Die Armeen der neutralen und blockfreien Staaten Europas* provides complementary information on the configuration of the Defense Forces, together with photographs and technical data on weapons and vehicles. *The Military Balance, 1988-89*, produced by the International Institute for Strategic Studies in London, contains an up-to-date listing of the Finnish arms inventory.

Fundamentals of Finnish defense strategy, together with the organization of national defense and the structure of the individual services, are summarized in a concise official Ministry of Defense publication, *Finnish National Defence*. Although its appraisal of the strengths and the weaknesses of the armed forces is no longer current, the *Report of the Third Parliamentary Defence Committee* (1981) contains a useful analysis of Finland's security policy and its strategic position in Northern Europe. *Aspects of Security: The Case of Independent Finland*, produced by the Finnish Military History Commission, traces the development of the Defense Forces from independence in 1917 to 1985, reviewing Finnish strategy and tactics in the campaigns of 1939 to 1944.

Numerous studies have analyzed Finland's military role in Northern Europe and the defense of Scandinavia. *Nordic Security* by Erling Bjøl, although brief, examines the common geostrategic issues of the region and the diversified approach to security adopted by each of the five Nordic countries.

The organization and missions of the Frontier Guard and the police are summarized in two short official publications, *The Frontier Guard in Finland* and *The Police of Finland*. *The Finnish Legal System*, edited by Jaakko Uotila, contains background on the Finnish system of justice and, in an article by Inkeri Anttila, a discussion of criminal law and punishment. (For further information and complete citations, see Bibliography.)

Appendix A

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Appendix A

Table 1. Metric Conversion Coefficients and Factors

| When you know | Multiply by | To find |
|---|---------------------------|--------------------|
| Millimeters | 0.04 | inches |
| Centimeters | 0.39 | inches |
| Meters | 3.3 | feet |
| Kilometers | 0.62 | miles |
| Hectares (10,000 m ²) | 2.47 | acres |
| Square kilometers | 0.39 | square miles |
| Cubic meters | 35.3 | cubic feet |
| Liters | 0.26 | gallons |
| Kilograms | 2.2 | pounds |
| Metric tons | 0.98 | long tons |
| | 1.1 | short tons |
| | 2,204 | pounds |
| Degrees Celsius | 9 | degrees Fahrenheit |
| (Centigrade) | divide by 5 and add 32 | |

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*Table 2. Finnish and Swedish Names of the Provinces
and of Selected Place-names*

| Finnish | Swedish |
|--------------------|--------------------|
| Provinces | |
| Ahvenanmaa | Åland |
| Häme | Tavastehus |
| Keski-Suomi | Mellersta Finland |
| Kuopio | Kuopio |
| Kymi | Kymmene |
| Lappi | Lappland |
| Mikkeli | St. Michel |
| Oulu | Uleåborg |
| Pohjois-Karjala | Norra Karelen |
| Turku ja Pori | Åbo och Björneborg |
| Uusimaa | Nyland |
| Vaasa | Vasa |
| Place-names | |
| Espoo | Esbo |
| Hämeenlinna | Tavastehus |
| Hamina | Fredrikshamn |
| Hanko | Hangö |
| Helsinki | Helsingfors |
| Kaskinen | Kaskö |
| Kokkola | Gamlakarleby |
| Lahti | Lahtis |
| Lappeenranta | Villmanstrand |
| Loviisa | Lovisa |
| Maarianhamina | Mariehamn |
| Pori | Björneborg |
| Pietarsaari | Jakobstad |
| Porvoo | Borgå |
| Raahe | Brahestad |
| Saimaa | Saima |
| Savonlinna | Nyslott |
| Tammissari | Ekenäs |
| Tampere | Tammerfors |
| Tornio | Torneå |
| Turku | Åbo |
| Uusikaarlepyy | Nykarleby |
| Uusikaupunki | Nystad |
| Vaasa | Vasa |
| Vantaa | Vanda |

Appendix A

Table 3. Presidents of Finland, 1919-

| Name | Years in Office | Former Party Allegiance |
|-------------------------------|-----------------|-------------------------|
| Kaarlo Juho Ståhlberg | 1919-25 | Young Finn |
| Lauri Kristian Relander | 1925-31 | Agrarian |
| Pehr Evind Svinhufvud | 1931-37 | National Coalition |
| Kyösti Kallio | 1937-40 | Agrarian |
| Risto Ryti | 1940-44 | National Progressive |
| Carl Gustaf Mannerheim | 1944-46 | none |
| Juho Kusti Paasikivi | 1946-56 | National Coalition |
| Urho Kekkonen | 1956-81 | Center |
| Mauno Koivisto | 1982-00 | Social Democratic |

Table 4. Distribution of Parliamentary Seats, 1966-87

| Party | 1966 | 1970 | 1972 | 1975 | 1979 | 1983 | 1987 |
|---|------|------|------|------|------|------|------|
| Finnish Social Democratic Party (SDP) | 55 | 52 | 55 | 54 | 52 | 57 | 56 |
| National Coalition Party (KOK) | 26 | 37 | 34 | 35 | 47 | 44 | 53 |
| Center Party (Kesk) | 49 | 36 | 35 | 39 | 36 | 38 | 40 |
| Finnish People's Democratic League (SKDL) | 41 | 36 | 37 | 40 | 35 | 26 | 20 |
| Swedish People's Party (SFP) | 12 | 12 | 10 | 10 | 9 | 10 | 12 |
| Finnish Rural Party (SMP) | 1 | 18 | 18 | 2 | 7 | 17 | 9 |
| Finnish Christian League (SKL) | 0 | 1 | 4 | 9 | 9 | 3 | 5 |
| Liberal People's Party (LKP) | 9 | 8 | 7 | 9 | 4 | 0 | 0 |
| Social Democratic Union of Workers and Small Farmers (TPSL) | 7 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 2 | 1 | 5 | 5 |
| TOTAL | 200 | 200 | 200 | 200 | 200 | 200 | 200 |

Source: Based on information from Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1987*, Helsinki, 1987, 426.

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Table 5. Coalition Governments, 1966-

| Date of Nomination | Prime Minister (Party Affiliation ¹) | Coalition Parties ² |
|--------------------------|---|---|
| May 27, 1966 | Rafael Paasio (SDP) | SDP, Kesk, SKDL, TPSL, |
| March 22, 1968 | Mauno Koivisto (SDP) | SDP, Kesk, SKDL, TPSL, SFP |
| May 14, 1970 | Teuvo Aura (none) | civil-service caretaker |
| July 15, 1970 | Ahti Karjalainen (Kesk) | SDP, Kesk, SKDL, LKP, SFP ³ |
| October 29, 1971 | Teuvo Aura (none) | civil-service caretaker |
| February 23, 1972 | Rafael Paasio (SDP) | SDP |
| September 4, 1972 | Kalevi Sorsa (SDP) | SDP, Kesk, SFP, LKP |
| June 13, 1975 | Keijo Liinamaa (none) | civil-service caretaker |
| November 30, 1975 | Martti Miettunen (Kesk) | SDP, SKDL, Kesk, SFP, LKP |
| September 29, 1976 | Martti Miettunen (Kesk) | Kesk, LKP, SFP |
| May 15, 1977 | Kalevi Sorsa (SDP) | Kesk, SDP, SKDL, LKP, SFP ⁴ |
| May 25, 1979 | Mauno Koivisto (SDP) | Kesk, SDP, SKDL, SFP |
| February 19, 1982 | Kalevi Sorsa (SDP) | Kesk, SL ² , SKDL, SFP ⁴ |
| May 6, 1983 | Kalevi Sorsa (SDP) | SDP, Kesk, SMP, SFP |
| April 30, 1987 | Harri Holkeri (KOK) | SDP, KOK, SMP, SFP |

¹ For full names of political parties, see Table 4.

² After March 26, 1971, this government consisted of the SDP, Kesk, LKP, SFP.

³ After March 2, 1978, this government consisted of the Kesk, SDP, SKDL, and LKP.

⁴ After December 30, 1982, this government consisted of the Kesk, SDP, and SFP.

Source: Based on information from David Arter, *Politics and Policy-Making in Finland*, New York, 1987, 54; and Juhani Mylly and R. Michael Berry (eds.), *Political Parties in Finland*, Turku, Finland, 1984, 189.

Table 6. *Parliamentary Election Results, 1979-87*

| Party | Number of Votes (Percentage of Total Vote) | |
|---|--|----------------------------|
| | 1979 | 1987 |
| Finnish Social Democratic Party (SDP) | 691,512 (23.9) | 795,953 (26.7) |
| National Coalition Party (KOK) | 626,764 (21.7) | 659,078 (22.1) |
| Center Party (Kesk) | 500,478 (17.3) | 525,207 (17.6) |
| Finnish People's Democratic League (SKDL) | 518,045 (17.9) | 400,930 (13.4) |
| Finnish Rural Party (SMP) | 132,457 (4.6) | 288,711 (9.7) |
| Swedish People's Party (SFP) | 122,418 (4.2) | 137,423 (4.6) |
| Democratic Alternative (DEVA) | | 122,181 (4.2) |
| The Greens | | 115,988 (4.0) |
| Finnish Christian League (SKL) | 138,244 (4.8) | 74,209 (2.6) |
| Finnish Pensioners' Party | | 35,100 (1.2) |
| Liberal People's Party (LKP) | 106,560 (3.7) | |
| Constitutional Party of the Right (POP) | 34,958 (1.2) | 11,104 (0.4) |
| Unification Party of the Finnish People | 9,316 (0.3) | 2,335 (0.1) |
| Others | 13,694 (0.5) | 68,543 (2.3) |
| TOTAL | 2,894,446 (100.0 %) | 2,979,694 (100.0 %) |
| | | 2,880,093 (100.0 %) |

¹ Joined forces with Center Party for this election.

² Figures do not add up to total because of rounding.

Source: Based on information from Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1982*, Helsinki, 1982, 392; Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1987*, Helsinki, 1987, 426-28.

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Table 7. National Population and Percentage Living in Urban Municipalities, Selected Years, 1800-1985

| Year | Population | Percentage Living in Urban Municipalities |
|------------|------------|---|
| 1800 | 832,700 | 5.6 |
| 1850 | 1,636,900 | 6.4 |
| 1900 | 2,655,900 | 12.5 |
| 1920 | 3,147,600 | 16.1 |
| 1940 | 3,695,600 | 26.8 |
| 1950 | 4,029,800 | 32.3 |
| 1960 | 4,446,200 | 38.4 |
| 1970 | 4,598,300 | 50.9 |
| 1980 | 4,787,800 | 59.8 |
| 1985 | 4,910,700 | 59.8 |

Source: Based on information from Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1987*, Helsinki, 1987, 38.

*Table 8. Population by Province, Selected Years, 1960-85
(in thousands)*

| Province | 1960 | 1970 | 1980 | 1985 |
|-----------------------|-------|---------|---------|---------|
| Aland | 21.0 | 20.7 | 22.8 | 23.6 |
| Häme | 580.8 | 635.7 | 664.3 | 667.8 |
| Keski-Suomi | 245.0 | 238.0 | 242.9 | 247.7 |
| Kuopio | 270.5 | 255.5 | 252.1 | 256.0 |
| Kymi | 337.8 | 343.9 | 344.3 | 340.7 |
| Lappi | 205.1 | 197.1 | 194.9 | 200.9 |
| Mikkeli | 234.6 | 219.2 | 208.6 | 209.0 |
| Oulu | 407.0 | 401.2 | 416.9 | 432.1 |
| Pohjois-Karjala | 207.7 | 185.3 | 176.7 | 177.6 |
| Turku ja Pori | 660.3 | 675.1 | 703.0 | 713.0 |
| Uusimaa | 832.9 | 1,005.2 | 1,128.5 | 1,187.9 |
| Vaasa | 443.5 | 421.4 | 432.8 | 444.4 |

Source: Based on information from Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1987*, Helsinki, 1987, 39.

Table 9. Finnish Social Welfare Expenditures,
Selected Years, 1974-85

| Year | Amount (in millions of Finnish marks ¹) | As a Percentage of GDP ² | Social Welfare Expenditure Per Capita (in Finnish marks ¹) | Index of Per Capita Social Welfare Expenditure (1980 = 100) |
|----------------|---|--|---|--|
| 1974 | 14,168 | 15.7 | 3,021 | 70 |
| 1976 | 23,863 | 20.3 | 5,049 | 87 |
| 1978 | 31,557 | 22.0 | 6,639 | 95 |
| 1980 | 40,042 | 20.8 | 8,377 | 100 |
| 1982 | 55,433 | 22.5 | 11,484 | 112 |
| 1984 | 72,300 | 23.4 | 14,810 | 124 |
| 1985 | 82,799 | 24.6 | 16,891 | 134 |

¹ For value of the Finnish mark—see Glossary.

² GDP—gross domestic product.

Source: Based on information from Nordic Council of Ministers, Nordic Statistical Secretariat, *Yearbook of Nordic Statistics, 1987*, Copenhagen, 1988, 316-17.

Table 10. Social Expenditures, 1980 and 1985
(in millions of Finnish marks) *

| Item of Expenditure | 1980 | 1985 |
|---|--------|--------|
| Health | 10,717 | 23,157 |
| Industrial injury insurance and occupational safety | 578 | 1,139 |
| Unemployment | 2,658 | 5,589 |
| Pensions, old-age, invalidity, etc. | 17,899 | 36,050 |
| Family and child welfare | 4,468 | 9,915 |
| General assistance | 203 | 814 |
| Benefits to military and war casualties | 1,094 | 2,237 |
| Estimated tax deduction for children | 701 | 1,156 |
| Administrative costs | 1,286 | 2,742 |
| TOTAL | 39,604 | 82,799 |

* For value of the Finnish mark—see Glossary.

Source: Based on information from Nordic Council of Ministers, Nordic Statistical Secretariat, *Yearbook of Nordic Statistics, 1982*, Copenhagen, 1983, 278-79; and Nordic Council of Ministers, Nordic Statistical Secretariat, *Yearbook of Nordic Statistics, 1987*, Copenhagen, 1988, 313-14.

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*Table 11. Health Care Personnel and Facilities,
Selected Years, 1960-85*

| | 1960 | 1970 | 1980 | 1985 |
|--|---------|---------|---------|----------------------|
| Physicians | 2,827 | 4,798 | 9,016 | 11,072 |
| Population per physician | 1,567 | 960 | 531 | 444 |
| Dentists | 1,809 | 2,695 | 3,938 | 4,595 |
| Nurses and midwives | 12,083 | 20,783 | 28,432 | 43,989 ¹ |
| Pharmacies | 532 | 562 | 565 | 577 |
| Hospitals | 348 | 357 | 349 | 372 |
| Hospital beds, total | 41,027 | 52,264 | 58,599 | 60,958 |
| Private hospital beds | 2,570 | 3,145 | 3,087 | 3,068 |
| Patients admitted during year | 521,336 | 786,769 | 954,577 | 984,074 ² |
| Hospital occupancy rate (in percentage) | 91 | 93 | 85 | 82 ² |
| Average hospital stay in days | 26.2 | 21.9 | 19.1 | 18.3 ² |

¹ Includes all qualified persons under age sixty, active and inactive.

² 1983 figures.

Source: Based on information from Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1987*, Helsinki, 1987, 368, 370.

*Table 12. Sex and Age Specific Death Rates by Cause, 1981-85
(Deaths per 100,000 mean population)*

| Cause of Death | | Age | | | | |
|----------------|-------------------------|-------|-------|-------|---------|------------------|
| | | 0-34 | 35-44 | 45-54 | 55-64 | 65 + All |
| Men | Cardiovascular diseases | 7.8 | 83.2 | 372.8 | 1,075.5 | 9,191.2 514.3 |
| | Cancer | 8.5 | 33.8 | 137.4 | 502.7 | 3,566.5 211.8 |
| | Other diseases | 31.1 | 47.3 | 103.6 | 224.6 | 3,144.9 169.9 |
| | Violent deaths * | 65.5 | 134.2 | 170.3 | 175.4 | 543.0 114.1 |
| | Total deaths | 112.9 | 298.5 | 784.1 | 1,978.2 | 16,445.6 1,010.1 |
| Women | Cardiovascular diseases | 2.6 | 21.7 | 71.9 | 287.0 | 6,515.2 484.4 |
| | Cancer | 6.6 | 38.9 | 113.6 | 271.0 | 1,720.0 173.8 |
| | Other diseases | 23.5 | 20.6 | 42.3 | 110.1 | 2,055.8 157.3 |
| | Violent deaths * | 15.7 | 28.4 | 40.6 | 45.2 | 278.6 29.6 |
| | Total deaths | 48.4 | 109.6 | 268.4 | 713.3 | 10,569.6 845.1 |

* Includes suicides, accidents, and poisonings.

Source: Based on information from Nordic Council of Ministers, Nordic Statistical Secretariat, *Yearbook of Nordic Statistics, 1987*, Copenhagen, 1988, 66-67.

Table 13. Gross Domestic Product (GDP), by Sector,
Selected Years, 1950-86

| | 1950 | | 1960 | | 1970 | | 1980 | | 1985 | | 1986 | |
|---|----------|-------------------------|----------|-------------------------|----------|-------------------------|----------|-------------------------|----------|-------------------------|----------|-------------------------|
| | Amount * | Percentage of Total GDP | Amount * | Percentage of Total GDP | Amount * | Percentage of Total GDP | Amount * | Percentage of Total GDP | Amount * | Percentage of Total GDP | Amount * | Percentage of Total GDP |
| Agriculture, forestry, and fishing .. | 1,234 | 25.9 | 2,792 | 19.8 | 5,408 | 13.9 | 16,573 | 9.6 | 24,167 | 8.1 | 23,947 | 7.6 |
| Industry | | | | | | | | | | | | |
| Mining and quarrying | 26 | 0.5 | 97 | 0.7 | 370 | 1.0 | 861 | 0.5 | 1,309 | 0.5 | 1,039 | 0.3 |
| Manufacturing | 1,325 | 27.8 | 3,773 | 26.8 | 11,710 | 30.0 | 48,408 | 28.1 | 75,189 | 25.3 | 75,096 | 23.8 |
| Construction | 474 | 9.9 | 1,314 | 9.3 | 3,702 | 9.5 | 13,654 | 7.9 | 23,138 | 7.8 | 24,386 | 7.7 |
| Electricity, gas, and water | 100 | 2.1 | 411 | 2.9 | 1,037 | 2.7 | 4,991 | 2.9 | 9,296 | 3.1 | 8,901 | 2.8 |
| Total Industry | 1,925 | 40.3 | 5,595 | 39.7 | 16,819 | 43.2 | 67,914 | 39.4 | 108,932 | 36.7 | 109,422 | 34.6 |
| Services | | | | | | | | | | | | |
| Transportation and communications | 313 | 6.6 | 1,043 | 7.5 | 2,721 | 7.0 | 13,644 | 7.9 | 23,672 | 8.0 | 25,992 | 8.2 |
| Retail trade | 492 | 10.3 | 1,405 | 10.0 | 3,787 | 9.7 | 20,268 | 11.7 | 33,163 | 11.2 | 36,949 | 11.7 |
| Banking, insurance, and real estate | 182 | 3.8 | 1,230 | 8.7 | 3,139 | 8.1 | 19,275 | 11.2 | 39,159 | 13.2 | 47,413 | 15.0 |
| Government | 208 | 4.3 | 505 | 3.6 | 1,702 | 4.4 | 28,616 | 16.6 | 55,782 | 18.8 | 57,015 | 18.2 |
| Other Services | 418 | 8.8 | 1,514 | 10.7 | 5,330 | 13.7 | 6,222 | 3.6 | 11,836 | 4.0 | 14,991 | 4.7 |
| Total services | 1,613 | 33.8 | 5,697 | 40.5 | 16,679 | 42.9 | 88,025 | 51.0 | 163,612 | 55.2 | 182,560 | 57.8 |
| TOTAL | 4,772 | 100.0 | 14,084 | 100.0 | 38,906 | 100.0 | 172,512 | 100.0 | 296,711 | 100.0 | 315,729 | 100.0 |

* In millions of Finnish marks at current prices; for value of Finnish mark—see Glossary.

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Table 14. Central Government Budget, 1982-86
(in millions of Finnish Marks ¹)

| | 1982 | 1983 | 1984 | 1985 | 1986 ² |
|---|--------|--------|--------|--------|-------------------|
| Current revenue | | | | | |
| Direct taxes | 16,953 | 19,298 | 22,225 | 25,384 | 30,015 |
| Indirect taxes | 33,206 | 36,975 | 43,530 | 47,803 | 52,498 |
| Income from property and entrepreneurship | 1,936 | 2,228 | 2,649 | 2,986 | 2,812 |
| Other domestic current transfers | 2,822 | 3,301 | 3,858 | 4,638 | 4,269 |
| TOTAL (current revenue) | 54,917 | 61,802 | 72,262 | 80,811 | 89,594 |
| Current expenditure | | | | | |
| Purchase of goods and services | 15,044 | 17,371 | 18,374 | 20,672 | 21,973 |
| Subsidies | 7,377 | 8,459 | 9,340 | 9,878 | 10,990 |
| Property income payable | 2,171 | 3,096 | 3,824 | 4,575 | 4,582 |
| Current transfers | 26,703 | 32,409 | 35,984 | 40,471 | 43,267 |
| TOTAL (current expenditure) .. | 51,295 | 61,335 | 67,522 | 75,596 | 80,812 |
| Net current saving | 3,622 | 467 | 4,740 | 5,215 | 8,782 |
| Depreciation | 1,037 | 1,172 | 1,223 | 1,353 | 1,487 |
| GROSS SAVING | 4,659 | 1,639 | 5,963 | 6,568 | 10,269 |
| Capital investment | | | | | |
| Gross fixed capital formation | 3,268 | 3,822 | 3,758 | 4,024 | 4,321 |
| Purchases of land, net | 170 | 216 | 134 | 156 | 156 |
| Increase in stocks | 254 | 335 | 232 | 193 | 350 |
| TOTAL (capital investment) ... | 3,692 | 4,373 | 4,124 | 4,373 | 4,827 |
| Surplus on current and fixed investment account | 967 | -2,734 | 1,839 | 2,195 | 5,442 |
| Capital transfers to other sectors, net | -1,849 | -1,625 | -1,732 | -1,805 | -1,699 |
| Net lending | -882 | -4,359 | 107 | 390 | 3,743 |

¹ For value of the Finnish mark—see Glossary.

² Provisional figures.

Source: Based on information from Organisation for Economic Co-operation and Development, *Finland*, Paris, April 1988, 113.

Table 15. *Labor Force, Selected Years, 1950-85*
(in thousands of persons)

| | 1950 | 1960 | 1970 | 1980 | 1985 |
|--|---------|---------|---------|---------|---------|
| Labor force | | | | | |
| Employed | | | | | |
| Agriculture, forestry, and fishing | 909.3 | 720.8 | 429.0 | 279.2 | 241.8 |
| Industry | 412.7 | 439.3 | 549.5 | 584.7 | 554.2 |
| Construction | 125.4 | 176.2 | 176.8 | 156.7 | 168.4 |
| Commerce | 187.6 | 276.4 | 399.8 | 425.8 | 483.4 |
| Transportation, com- munications, etc. | 106.7 | 128.8 | 150.2 | 175.7 | 172.6 |
| Services | 214.2 | 285.5 | 383.9 | 550.1 | 648.9 |
| Other | 28.4 | 6.2 | 29.0 | 50.7 | 7.5 |
| Total employed | 1,984.3 | 2,033.2 | 2,118.2 | 2,222.9 | 2,276.8 |
| Unemployed | n.a. | n.a. | 144.7 | 114.0 | 139.1 |
| Total labor force | n.a. | n.a. | 2,262.9 | 2,336.9 | 2,415.9 |
| Population | 4,029.8 | 4,446.2 | 4,598.3 | 4,787.8 | 4,910.7 |
| Working-age population (15-75) | 2,740.7 | 3,003.0 | 3,354.4 | 3,625.1 | 3,711.4 |
| Labor force participation rate (percentage) | n.a. | n.a. | 67.5 | 64.5 | 65.1 |
| Unemployment rate (percentage) | n.a. | n.a. | 6.4 | 4.9 | 5.8 |

n.a.—Not available.

Source: Based on information from Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1985-86*, Helsinki, 1986, 6, 44, 302, and additional information from Embassy of Finland, Washington.

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*Table 16. Production of Major Farm Commodities,
Selected Years, 1980-86
(in thousands of tons)*

| Commodity | 1980 | 1985 | 1986 |
|------------------------------|-------|-------|-------|
| Grains | | | |
| Barley | 1,534 | 1,854 | 1,714 |
| Oats | 1,258 | 1,218 | 1,174 |
| Rye | 124 | 72 | 70 |
| Wheat | 357 | 473 | 529 |
| Other Grains | 28 | 27 | 32 |
| Oilseeds | | | |
| Rapeseed | 88 | 95 | 105 |
| Root crops | | | |
| Potatoes | 736 | 600 | 700 |
| Sugar Beets | 900 | 704 | 843 |
| Fruits and vegetables | | | |
| Apples | 8 | 10 | 10 |
| Tomatoes | 20 | 20 | 20 |
| Animal products | | | |
| Beef and Veal | 112 | 125 | 124 |
| Cow's milk | 3,277 | 3,083 | 3,044 |
| Eggs | 79 | 85 | 81 |
| Mutton and Lamb | 1 | 1 | 1 |
| Pork | 169 | 171 | 172 |
| Poultry | 15 | 20 | 21 |

Source: Based on information from United States, Department of Agriculture, Economic Research Service, *World Indices of Agriculture and Food Production, 1976-1985*, Washington, 1986, 58, and additional data from the Economic Research Service.

Table 17. Use of Arable Land, Selected Years, 1950-85
(in thousands of hectares)

| Crop | 1950 | 1960 | 1970 | 1980 | 1985 |
|--------------------|---------|---------|---------|---------|---------|
| Grains | | | | | |
| Barley | 115.1 | 212.7 | 403.5 | 533.4 | 645.7 |
| Oats | 437.4 | 490.3 | 524.3 | 447.8 | 411.3 |
| Rye | 133.3 | 110.7 | 65.9 | 53.3 | 30.9 |
| Wheat | 188.7 | 180.8 | 175.5 | 124.3 | 157.0 |
| Other grains | 14.7 | 24.3 | 27.7 | 12.1 | 9.2 |
| Oilseeds | | | | | |
| Rapeseed | n.a. | 3.4 | 6.6 | 55.3 | 57.7 |
| Root crops | | | | | |
| Potatoes | 95.8 | 86.4 | 60.1 | 40.9 | 39.4 |
| Sugar beets | 10.1 | 14.9 | 14.9 | 31.7 | 31.2 |
| Animal feed | | | | | |
| Fodder | 21.8 | 15.2 | 13.6 | n.a. | n.a. |
| Hay | 1,001.4 | 1,139.0 | 873.3 | 477.8 | 397.7 |
| Silage | 20.9 | 12.1 | 52.3 | 233.6 | 222.9 |
| Pasture | 220.9 | 237.8 | 230.7 | 203.3 | 169.8 |
| Other crops | 92.8 | 69.7 | 170.9 | 246.9 | 167.9 |
| Fallow | 78.0 | 56.7 | 47.8 | 102.3 | 69.7 |
| TOTAL | 2,430.9 | 2,654.0 | 2,667.1 | 2,562.7 | 2,410.4 |

n.a.—Not available.

Source: Based on information from Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1985-86*, Helsinki, 1986, 84-85.

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Table 18. Industrial Production by Commodity, 1982-86

| Commodity | Unit | Year | | | | |
|---------------------------------|----------------------|-------|-------|-------|-------|-------|
| | | 1982 | 1983 | 1984 | 1985 | 1986 |
| Wood products | | | | | | |
| Cellulose | 1,000 tons | 4,048 | 4,384 | 4,743 | 4,734 | 4,686 |
| Fiberboard | -do- | 136 | 137 | 140 | 109 | 86 |
| Mechanical pulp for sale | -do- | 36 | 31 | 37 | 34 | 37 |
| Paper and paperboard ... | -do- | 5,752 | 6,295 | 6,661 | 7,412 | 7,491 |
| Plywood and veneers | 1,000 m ³ | 537 | 582 | 551 | 513 | 568 |
| Sawn goods | -do- | 5,822 | 7,327 | 7,611 | 6,350 | 6,449 |
| Chemicals | | | | | | |
| Fertilizers | 1,000 tons | 1,511 | 1,755 | 1,778 | 1,752 | 1,669 |
| Nitric acid | -do- | 409 | 541 | 545 | 484 | 508 |
| Oil products | -do- | 8,602 | 9,015 | 8,765 | 8,880 | 7,841 |
| Sulphuric acid | -do- | 1,032 | 1,149 | 1,165 | 1,439 | 1,359 |
| Metal products | | | | | | |
| Copper cathodes | -do- | 48.0 | 55.4 | 57.3 | 58.8 | 64.2 |
| Crude steel | -do- | 2,414 | 2,416 | 2,632 | 2,519 | 2,588 |
| Hot rolled steel products | -do- | 1,847 | 1,964 | 1,985 | 2,063 | 1,996 |
| Nickel cathodes | -do- | 12.3 | 14.5 | 15.3 | 15.7 | 17.8 |
| Pig iron | -do- | 1,944 | 1,898 | 2,034 | 1,890 | 1,979 |
| Zinc | -do- | 155 | 155 | 159 | 160 | 155 |
| Other | | | | | | |
| Cement | -do- | 1,907 | 1,979 | 1,692 | 1,623 | 1,261 |
| Cotton fabrics | -do- | 16.6 | 17.2 | 16.5 | 9.1 | 8.1 |

Source: Based on information from Economist Intelligence Unit, *Country Profile: Finland, 1988-89*, London, 1988, 18.

Table 19. *Geographical Distribution of Trade, 1982-87*
(in percentage of total value of imports or exports)

| | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|----------------------------|------|------|------|------|------|------|
| Exports | | | | | | |
| EC ¹ | 34.9 | 36.2 | 37.9 | 37.0 | 38.3 | 42.2 |
| EFTA ² | 19.2 | 18.2 | 19.2 | 19.7 | 22.0 | 22.7 |
| Comecon ³ | 28.8 | 27.7 | 20.8 | 23.4 | 22.0 | 17.1 |
| Soviet Union | 26.7 | 26.1 | 19.0 | 21.5 | 20.3 | 15.4 |
| Sweden | 12.0 | 12.3 | 12.3 | 13.2 | 14.8 | 15.0 |
| Britain | 10.8 | 10.3 | 12.0 | 10.8 | 10.5 | 11.4 |
| West Germany | 9.1 | 9.5 | 9.6 | 9.3 | 9.7 | 10.9 |
| France | n.a. | n.a. | n.a. | 3.9 | 4.5 | 5.3 |
| United States | 3.2 | 4.0 | 8.2 | 6.3 | 5.4 | 5.2 |
| Norway | 4.9 | 3.3 | 4.5 | 4.2 | 4.5 | 4.7 |
| Denmark | 2.6 | 3.6 | 4.1 | 4.0 | 4.0 | 3.9 |
| Netherlands | 3.1 | 4.0 | 3.5 | 3.3 | 3.5 | 3.6 |
| Imports | | | | | | |
| EC ¹ | 33.5 | 33.6 | 35.6 | 38.7 | 43.1 | 44.4 |
| EFTA ² | 17.9 | 17.3 | 17.9 | 17.2 | 19.3 | 18.5 |
| West Germany | 13.3 | 13.1 | 13.9 | 14.9 | 17.0 | 17.4 |
| Comecon ³ | 28.0 | 28.5 | 26.2 | 24.1 | 18.2 | 17.0 |
| Soviet Union | 24.6 | 25.7 | 23.1 | 21.0 | 15.3 | 14.4 |
| Sweden | 12.2 | 11.2 | 12.3 | 11.8 | 13.6 | 12.9 |
| Britain | 7.3 | 6.6 | 7.7 | 7.2 | 6.5 | 7.1 |
| Japan | n.a. | n.a. | n.a. | 5.3 | 6.5 | 7.1 |
| United States | n.a. | n.a. | 5.0 | 5.4 | 4.8 | 5.2 |
| France | n.a. | n.a. | n.a. | 3.4 | 4.5 | 4.3 |
| Netherlands | 2.6 | 2.7 | 2.7 | 2.9 | 3.1 | 3.1 |
| Denmark | 2.3 | 1.7 | 2.4 | 2.5 | 2.8 | 2.8 |
| Norway | 2.1 | 2.6 | 2.1 | 2.4 | 2.2 | 2.2 |

n.a.—Not available.

¹ EC—European Community (see Glossary).

² EFTA—European Free Trade Association (see Glossary).

³ Comecon—Council for Mutual Economic Assistance (see Glossary).

Source: Based on information from Economist Intelligence Unit, *Country Profile: Finland, 1988-89*, London, 1988, 27-8.

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Table 20. *Balance of Payments, 1978-86*
(in millions of United States dollars)

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|--|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Exports, f.o.b. ¹ | 8,508 | 11,098 | 14,114 | 13,669 | 12,848 | 12,187 | 13,098 | 13,286 | 16,026 |
| Imports, f.o.b. ¹ | 7,417 | 10,715 | 14,760 | 13,327 | 12,682 | 12,036 | 11,607 | 12,375 | 14,402 |
| TRADE BALANCE | 1,091 | 383 | -646 | 342 | 166 | 151 | 1,491 | 911 | 1,624 |
| Services, net | -374 | -429 | -634 | -643 | -851 | -948 | -1,334 | -1,463 | -2,167 |
| BALANCE ON GOODS AND SERVICES | 717 | -46 | -1,280 | -301 | -685 | -797 | 157 | -552 | -543 |
| Transfers | | | | | | | | | |
| Private transfers, net | -15 | -16 | -20 | -10 | -27 | -23 | -22 | -6 | -118 |
| Official transfers, net | -37 | -95 | -102 | -106 | -107 | -120 | -152 | -171 | -227 |
| TOTAL TRANSFERS | -52 | -111 | -122 | -116 | -134 | -143 | -174 | -177 | -345 |
| CURRENT ACCOUNT BALANCE | 665 | -157 | -1,402 | -417 | -819 | -940 | -17 | -729 | -888 |
| Long-term capital | | | | | | | | | |
| Private | 784 | -40 | -61 | 395 | 404 | 244 | 577 | 1,107 | 760 |
| Official ² | 117 | 282 | 110 | 163 | 229 | 109 | 97 | -45 | -108 |
| TOTAL LONG-TERM CAPITAL | 901 | 242 | 49 | 558 | 633 | 353 | 674 | 1,062 | 652 |
| BASIC BALANCE | 1,566 | 85 | -1,353 | 141 | -186 | -587 | 657 | 333 | -236 |
| Short-term capital | | | | | | | | | |
| Non-monetary | -548 | -206 | 388 | 149 | -158 | -51 | 636 | -298 | -191 |
| Private monetary institutions | -179 | 295 | 994 | -98 | 310 | 228 | 347 | 850 | -2,121 |
| Errors and omissions | 196 | -48 | 226 | 201 | -3 | 158 | -59 | -263 | 985 |
| TOTAL SHORT-TERM CAPITAL | -531 | -41 | 1608 | 252 | 149 | 335 | 924 | 289 | -1,327 |
| Net transactions of monetary authorities | 1,035 | 126 | 255 | 393 | -37 | -252 | 1,581 | 622 | -1,563 |

Table 20.—Continued

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|--|------|------|------|------|------|------|-------|------|--------|
| Use of IMF ¹ credit (net) | -43 | -111 | 0 | -17 | -41 | -15 | 0 | 0 | 0 |
| Miscellaneous official accounts ² | -322 | 289 | 26 | -619 | 301 | 51 | 193 | -9 | -743 |
| Allocations of SDRs ³ | 0 | 36 | 36 | 30 | 0 | 0 | 0 | 0 | 0 |
| CHANGE IN RESERVES ⁴ (+ = increase) | 670 | 340 | 318 | -210 | 223 | -217 | 1,774 | 613 | -2,307 |

¹ f.o.b.—free on board.² Includes government bond issues.³ IMF—International Monetary Fund (see Glossary).⁴ Includes payments agreements (tied currencies).⁵ SDRs—special drawing rights.⁶ Convertible reserves.Source: Based on information from Organisation for Economic Co-operation and Development, *Finland*, Paris, April 1988, 114.

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Table 21. Daily Newspapers with Largest Circulations, 1986

| Newspaper | Place of Publication | Frequency of Appearance per week | Party Affiliation * | Circulation |
|---------------------------|----------------------|----------------------------------|---------------------|-------------|
| Helsingin Sanomat | Helsinki | 7 | none | 430,251 |
| Ilta-Sanomat | Helsinki | 6 | none | 193,971 |
| Aamulehti | Tampere | 7 | KOK | 140,918 |
| Turun Sanomat | Turku | 7 | none | 131,630 |
| Maaseudun Tulevaisuus | Helsinki | 3 | none | 130,894 |
| Uusi Suomi | Helsinki | 7 | none | 92,596 |
| Kaleva | Oulu | 7 | none | 88,177 |
| Savon Sanomat | Kuopio | 7 | Kesk | 85,167 |
| Iltalehti | Helsinki | 6 | none | 78,949 |
| Keskisuomalainen | Jyväskylä | 7 | Kesk | 76,283 |
| Kotimaa | Helsinki | 3 | none | 76,064 |
| Kauppalehti | Helsinki | 5 | none | 72,983 |
| Etelä-Suomen Sanomat | Lahti | 7 | none | 65,145 |
| Hufvudstadsbladet | Helsinki | 7 | none | 65,089 |
| Pohjalainen | Vaasa | 7 | KOK | 64,008 |
| Satakunnan Kansa | Pori | 7 | KOK | 60,807 |
| Ilkka | Seinäjoki | 7 | KOK | 53,465 |
| Karjalainen | Joensuu | 7 | KOK | 53,364 |
| Kansan Uutiset | Helsinki | 6 | SKDL | 41,504 |
| Lapin Kansa | Rovaniemi | 7 | none | 40,407 |
| Pohjolan Sanomat | Kemi | 7 | Kesk | 39,149 |
| Etelä-Saimaa | Lappeenranta | 7 | Kesk | 34,304 |
| Suomen Sosialidemokraatti | Helsinki | 5 | SDP | 34,099 |
| Keskipojanmaa | Kokkola | 7 | Kesk | 33,064 |
| Suomenmaa | Helsinki | 5 | Kesk | 32,802 |

* For full names of political parties, see Table 4.

Source: Based on information from Finland, Central Statistical Office, *Statistical Yearbook of Finland, 1987*, Helsinki, 1987, 410.

Appendix A

Table 22. Major Army Equipment, 1988

| Type | Estimated Number in Inventory | Country of Manufacture |
|--|-------------------------------------|---------------------------|
| Armored vehicles | | |
| T-54/T-55 main battle tank | 100 | Soviet Union |
| T-72 main battle tank | 50 | -do- |
| PT-76 light reconnaissance tank | 15 | -do- |
| BMP-1 infantry combat vehicle | 30 | -do- |
| BTR-50P armored personnel carrier, tracked | 90 | -do- |
| BTR-60P armored personnel carrier, 8 wheeled | 60 | -do- |
| A-180 Pasi armored personnel carrier, 6 wheeled | 59 | Finland |
| Towed artillery | | |
| M-37, M-61 105mm howitzer | 70 + | -do- |
| M-38, D-30 122mm howitzer | n.a. | Soviet Union |
| M-54 130mm field gun | 170 | -do- |
| M-40 150mm howitzer | n.a. | Germany (World War II) |
| M-38 152mm howitzer | 240 | Soviet Union |
| M-74 155mm howitzer | 12 | -do- |
| Coast artillery | | |
| D-10T tank turrets, 100mm | n.a. | -do- |
| M-60 122mm gun | n.a. | Finland |
| 130mm turret gun | 170 | -do- |
| 152mm turret gun | 240 | -do- |
| Surface-to-surface missiles (coastal defense) | | |
| RBS-15 | n.a. | Sweden |
| Mortars | | |
| M-56, M-64, M-71 81mm | 800 | Finland |
| M-43 120mm | 550 | Soviet Union and Finland |
| Antitank wire-guided missiles | | |
| AT-4 (SPIGOT) | 24 | Soviet Union |
| I-TOW (tube-launched, optically tracked, wire-guided) | 12 | United States |
| Recoilless rifles | | |
| M-55 55mm | n.a. | Soviet Union |
| SM 58-61 95mm | 100 | Finland |
| Air defense guns | | |
| ZU-23 23mm | n.a. | Soviet Union |
| Oerlikon GDF-002 35mm | n.a. | Switzerland |
| Bofors L-60/Bofors L-70 40mm | 100 + | Sweden |
| S-60 57mm towed | 12 | Soviet Union |
| ZSU 57-2 self-propelled | 12 | -do- |
| Surface-to-air missiles | | |
| SA-3 GOA | n.a. | -do- |
| SA-7/SA-14 shoulder-fired | n.a. | -do- |

n.a.—Not available.

Source: Based on information from *The Military Balance, 1988-89*, London, 1988, 88; and Tomas Ries, *Cold Will: The Defence of Finland*, London, 1988, 215-6.

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Table 23. Major Naval Equipment, 1988

| Type * | Number | Date Commissioned |
|---|--------|-------------------------------|
| Corvettes | | |
| Turunmaa class, 660 tons, 120mm gun, antisubmarine rocket launchers | 2 | 1968, modernized 1984-86 |
| Missile craft | | |
| Helsinki class fast attack, 300 tons, eight RBS-15 SF missiles | 4 | 1981-86 |
| Helsinki-2 class, 200 tons | 4 | projected 1990-92 |
| Tuima class 210 tons (Soviet OSA-II), four SS-N-2A Styx missiles | 4 | purchased 1974-75 |
| Isku (experimental), four SS-N-2A Styx missiles | 1 | 1970 |
| Fast attack craft (gun) | | |
| Nuoli class, 40 ton | 6 | 1961-66, modernized 1979 |
| Ruissalo class, 130 ton, antisubmarine minelaying | 3 | 1959, modernized 1977-80 |
| Rihtniemi class, 110 ton, antisubmarine minelaying | 2 | 1957, modernized 1981 |
| Minelayers | | |
| Pohjanmaa, 1100 ton | 1 | 1981 |
| Keihässalmi, 360 ton | 1 | 1957 |
| Minesweepers | | |
| Kuha class, inshore | 6 | 1974-75 |
| Kiiski class | 7 | 1984 |
| Landing craft, utility | | |
| Kampela class, 90 ton | 3 | 1976-79 |
| Kala class, 60 ton | 6 | 1956-59 |
| Kave class, 27 ton | 5 | 1956-60 |
| Coast Guard | | |
| Large offshore patrol craft, 700 ton | 2 | 1986-87 |
| Large patrol craft | 5 | 1963-87 |
| Coastal patrol craft | 24 | 15 in 1981-86, others earlier |

* All ships constructed in Finland except Tuima class missile craft, which were built in the Soviet Union.

Source: Based on information from *Jane's Fighting Ships*, 1988-89, London, 1988, 155-62.

Appendix A

Table 24. Major Air Force Equipment, 1988

| Type | Number | Country Manufacture | First Acquired |
|--|--------|------------------------|-------------------|
| Fighters-interceptors * | | | |
| MiG-21bis | 30 | Soviet Union | 1978 |
| SAAB J-35 Draken | 41 | Sweden | 1974 |
| Training | | | |
| MiG-21 U/UM | 4 | Soviet Union | 1974 |
| SK-35C Draken | 4 | Sweden | 1972 |
| Hawk MK-51 | 39 | Britain | 1980 |
| L-70 Vinka | 30 | Finland | 1979 |
| Reconnaissance | | | |
| Hawk MK-51 | 8 | Britain | 1980 |
| Transport | | | |
| F-27 Fokker, medium | 3 | Netherlands | 1980 |
| Mi-8 helicopter | 6 | Soviet Union | 1973 |
| Hughes 500 helicopter | 2 | United States | 1975 |
| Liaison | | | |
| CM-170 Magister | 5 | France | 1964 |
| Piper (Cherokee Arrow and Chieftain) ... | 14 | United States | n.a. |

* Some in conversion and training status.

Source: Tomas Ries, *Cold Will: The Defence of Finland*, London, 1988, 217-8, and *The Military Balance, 1988-89*, London, 1988, 88.

Appendix B

TREATY

of Friendship, Cooperation, and Mutual Assistance between the Republic of Finland and the Union of Soviet Socialist Republics.

The President of the Republic of Finland and the Presidium of the Supreme Soviet of the U.S.S.R.;

Desiring further to develop friendly relations between the Republic of Finland and the U.S.S.R.;

Being convinced that the strengthening of good neighbourly relations and co-operation between the Republic of Finland and the U.S.S.R. lies in the interest of both countries;

Considering Finland's desire to remain outside the conflicting interests of the Great Powers; and

Expressing their firm endeavour to collaborate towards the maintenance of international peace and security in accordance with the aims and principles of the United Nations Organization;

Have for this purpose agreed to conclude the present Treaty and have appointed as their Plenipotentiaries:

The President of the Republic of Finland: Mauno Pekkala, Prime Minister of the Republic of Finland;

The Presidium of the Supreme Soviet of the U.S.S.R.: Viacheslav Mihailovich Molotov, Vice-Chairman of the Council of Ministers of the U.S.S.R. and Minister for Foreign Affairs,

who, after exchange of their full powers, found in good and due form, have agreed on the following provisions:

ARTICLE 1

In the eventuality of Finland, or the Soviet Union through Finnish territory, becoming the object of an armed attack by Germany or any State allied with the latter, Finland will, true to its obligations as an independent State, fight to repel the attack. Finland will in such cases use all its available forces for defending its territorial integrity by land, sea and air, and will do so within the frontiers of Finland in accordance with obligations defined in the present Treaty and, if necessary, with the assistance of, or jointly with, the Soviet Union.

In the cases aforementioned the Soviet Union will give Finland the help required, the giving of which will be subject to mutual agreement between the Contracting Parties.

ARTICLE 2

The High Contracting Parties shall confer with each other if it is established that the threat of an armed attack in Article 1 is present.

ARTICLE 3

The High Contracting Parties give assurance of their intention loyally to participate in all measures towards the maintenance of international peace and security in conformity with the aims and principles of the United Nations Organization.

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ARTICLE 4

The High Contracting Parties confirm their pledge, given under Article 3 of the Peace Treaty signed in Paris on February 10th, 1947, not to conclude any alliance or join any coalition directed against the other High Contracting Party.

ARTICLE 5

The High Contracting Parties give assurance of the decision to act in a spirit of co-operation and friendship towards the further development and consolidation of economic and cultural relations between Finland and the Soviet Union.

ARTICLE 6

The High Contracting Parties pledge themselves to observe the principle of the mutual respect of sovereignty and integrity and that of non-interference in the internal affairs of the other State.

ARTICLE 7

The execution of the present Treaty shall take place in accordance with the principles of the United Nations Organization.

ARTICLE 8

The present Treaty shall be ratified and remains in force ten years after the date of its coming into force. The Treaty shall come into force upon the exchange of the instruments of ratification, the exchange taking place in the shortest time possible in Helsinki.

Provided neither of the High Contracting Parties has denounced it one year before the expiration of the said ten-year period, the Treaty shall remain in force for subsequent five-year periods until either High Contracting Party one year before the expiration of such five-year periods in writing notifies its intention of terminating the validity of the Treaty.

In witness hereof the Plenipotentiaries have signed the present Treaty and affixed their seals.

Done in the City of Moscow on the sixth day of April 1948 in two copies, in the Finnish and the Russian languages, both texts being authentic.

The Plenipotentiary of the
President of the Republic of
Finland:
Mauno Pekkala.

The Plenipotentiary of the
Presidium of the Supreme
Soviet of the U.S.S.R.:
V. Molotov.

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Glossary

Council for Mutual Economic Assistance (CMEA, CEMA, or Comecon)—Members in 1988 included Bulgaria, Cuba, Czechoslovakia, the German Democratic Republic (East Germany), Hungary, Mongolia, Poland, Romania, the Soviet Union, and Vietnam. Its purpose is to further economic cooperation among members.

Council of Europe—Founded in 1949 to foster parliamentary democracy, social and economic progress, and unity among its member states. Membership is limited to those European countries that respect the rule of law and the fundamental human rights and freedoms of all those living within their boundaries. As of 1988, its membership consisted of twenty-one West European countries.

European Community (EC—also commonly called the Community)—The EC comprises three communities: the European Coal and Steel Community (ECSC), the European Economic Community (EEC, also known as the Common Market), and the European Atomic Energy Community (Euratom). Each community is a legally distinct body, but since 1967 all the members have shared common governing institutions. The EC forms more than a framework for free trade and economic cooperation: the signatories to the treaties governing the communities have agreed in principle to integrate their economies and ultimately to form a political union. Belgium, France, Italy, Luxembourg, the Netherlands, and the Federal Republic of Germany (West Germany) are charter members of the EC. Britain, Denmark, and Ireland joined on January 1, 1973; Greece became a member on January 1, 1981; and Portugal and Spain entered on January 1, 1986.

European Economic Community—See European Community.

European Free Trade Association (EFTA)—Founded in 1961, EFTA aims at supporting free trade among its members and increasing the liberalization of trade on a global basis, but particularly within Western Europe. In 1988 the organization's member states were Austria, Finland, Iceland, Norway, Sweden, and Switzerland.

Finnish mark (Fmk)—Also called Finnmark. Consists of 100 *penniä* (singular: *penni*). In terms of the United States dollar, the average annual exchange rate was Fmk3.22 in 1965, Fmk3.86

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in 1975, Fmk3.85 in 1980, Fmk5.30 in 1982, Fmk6.54 in 1984, Fmk5.42 in 1985, Fmk4.79 in 1986, Fmk3.95 in 1987, and Fmk4.17 in 1988.

General Agreement on Tariffs and Trade (GATT)—An international organization established in 1948 and headquartered in Geneva that serves as a forum for international trade negotiations. GATT members pledge to further multilateral trade by reducing import tariffs, quotas, and preferential trade agreements, and they promise to extend to each other any favorable trading terms offered in subsequent agreements with third parties.

gross domestic product (GDP)—The total value of goods and services produced by the domestic economy during a given period, usually one year. Obtained by adding the value contributed by each sector of the economy in the form of profits, compensation to employees, and depreciation (consumption of capital). Most GDP usage in this book was based on GDP at factor cost. Real GDP is the value of GDP when inflation has been taken into account.

gross national product (GNP)—Obtained by adding GDP (*q.v.*) and the income received from abroad by residents, less payments remitted abroad to nonresidents. GNP valued at market prices was used in this book. Real GNP is the value of GNP when inflation has been taken into account.

International Monetary Fund (IMF)—Established along with the World Bank (*q.v.*) in 1945, the IMF is a specialized agency, affiliated with the United Nations, that takes responsibility for stabilizing international exchange rates and payments. The main business of the IMF is the provision of loans to its members when they experience balance-of-payment difficulties. These loans often carry conditions that require substantial internal economic adjustments by the recipients.

Organisation for Economic Co-operation and Development (OECD)—Established in 1961 to replace the Organisation for European Economic Co-operation, the OECD is an international organization composed of the industrialized market economy countries (twenty-four full members as of 1988). It seeks to promote economic and social welfare in member countries as well as in developing countries by providing a forum in which to formulate and to coordinate policies.

World Bank—Informal name used to designate a group of three affiliated international institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance

Corporation (IFC). The IBRD, established in 1945, has the primary purpose of providing loans to developing countries for productive projects. The IDA, a legally separate loan fund administered by staff of the IBRD, was set up in 1960 to furnish credits to the poorest developing countries on much easier terms than those of conventional IBRD loans. The IFC, founded in 1956, supplements the activities of the IBRD through loans and assistance designed specifically to encourage the growth of productive private enterprises in less developed countries. The president and certain senior officers of the IBRD hold the same positions in the IFC. The three institutions are owned by the governments of the countries that subscribe their capital. To participate in the World Bank group, member states must first belong to the IMF (*q.v.*).

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